

Notes to the Financial Statements

Note 1 : Statement of Accounting Policies

Reporting Entity

Gisborne District Council ("Council") is a Unitary Authority governed by the Local Government Act 2002.

The Gisborne District Council Group (the "Group") consists of Gisborne District Council and its subsidiaries, Gisborne Holdings Ltd (100% owned), Tauwhareparae Holdings Ltd (100% owned), Tauwhareparae Farms Ltd (100% owned) and Tauwhareparae Forests Ltd (100% owned). All Council subsidiaries are incorporated in New Zealand.

The primary objective of Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Council has designated itself and the Group as Public Benefit Entities ("PBE") for the purposes of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

The financial statements of the Group are for the year ended 30 June 2009. The financial statements were authorised for issue by Council on 29 October 2009.

Basis of Preparation

The Council and Group financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain fixed assets, forestry assets, livestock assets and certain financial instruments to reflect fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of Council is New Zealand dollars.

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to Council include:

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The Statement of Comprehensive Income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The revised standard gives Council the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). Council intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single Statement of Comprehensive Income or a separate Income Statement followed by a Statement of Comprehensive Income.

NZ IAS 23 Borrowing Costs (revised 2007) replaces **NZ IAS 23 Borrowing Costs (issued 2004)** and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard will also require borrowing costs to be considered when revaluing property, plant and equipment to fair value based on depreciated replacement cost.

Any necessary adjustments to depreciated replacement cost carrying values will have flow on effects to depreciation expense. Council intends to apply the Public Benefit Exemption from this standard.

NZ IFRS 3 Business Combinations (revised 2008) and the amended NZ IAS 27 **Consolidated and Separate Financial Statements** are effective for reporting periods beginning on or after 1 July 2009 and must be applied prospectively from that date. The main changes the revised NZ IFRS 3 and amended NZ IAS 27 will make to existing requirements or practice are:

- ▶ Partial Acquisitions: Non-controlling interests are measured either as their proportionate interest in the net identifiable assets (which is the original NZ IFRS 3 requirement) or at fair value.
- ▶ Step Acquisitions: The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

NZ IFRS 7 – Financial Instruments (amended December 2008)

The amended IFRS 7 are effective for reporting periods beginning on or after 1 July 2009 and must be applied prospectively from that date. The main changes the amended NZ IFRS 7 will make to existing requirements or practice are:

- ▶ Quoted prices in active markets for identical assets or liabilities (Level 1).
- ▶ Inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NZ IFRS 8 – Operating Segments

Council has elected not to apply this standard.

Specific Accounting Policies

The following specific Accounting Policies which materially affect the measurement of financial performance and the financial position have been applied.

Basis of Consolidation

Subsidiaries

Council consolidates as subsidiaries in the group financial statements all entities where Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by Council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Council measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

Any excess of the cost of the business combination over Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the statement of financial performance.

Subsidiaries are accounted for using the purchase method which involves adding together corresponding assets, liabilities, revenues and expenses on a line-by-line basis. All significant inter-company/Council transactions are eliminated on consolidation.

Council's investment in its subsidiaries is carried at cost in Council's own "parent entity" financial statements.

Revenue Recognition

Revenue is measured at the fair value of consideration received. The following specific recognition criteria must be met before revenue is recognised:

RATES REVENUE

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

GOVERNMENT GRANTS and SUBSIDIES

Council receives government grants from New Zealand Transport Agency, which subsidises part of Council's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

OTHER REVENUE

Revenue from the rendering of services is recognised, based on the actual service provided on an accrual basis.

Sales of goods are recognised when a product is sold to the customer. Sales are usually in cash or by electronic payment. The recorded revenue is the gross amount of the sale, excluding GST.

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Council are recognised as revenue when control over the asset is obtained.

BORROWING COSTS

Borrowing costs (except borrowing costs incurred as a result of capital work) are recognised as an expense in the period in which they are incurred.

When the construction of assets are loan funded, all borrowing costs incurred as a result of the capital work are capitalised as part of the total cost of the asset up until the point where the asset enters service.

GRANT EXPENDITURE

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's decision.

INCOME TAX

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

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

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

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where Council can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the Statement of Financial Performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Leases

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Group recognises finance leases as assets and liabilities in the balance sheet at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Trade and Other Receivables

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for uncollectible amounts.

A provision for impairment of receivables [doubtful debts] is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method. Non-current receivables are recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset.

Inventories

Inventories are recognised at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out (FIFO) principle and includes expenditure in acquiring the inventories and bringing them to their existing location and condition.

Financial Assets

The Group classifies its financial assets in the following two categories:

- ▶ Available-for-sale financial assets; and
- ▶ Loans and receivables.

The classification depends on the purpose for which the assets are held. Management determines the classification of its investments at initial recognition and re-evaluates the designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the income statement.

Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price is the current bid price.

The fair value of financial instruments not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows are used to determine fair value for the remaining financial instruments.

Derecognition of Financial Assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

The Group presently has the following categories of financial assets:

a. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Council's general and community loans are designated as loans and receivables. They are recognised initially at fair value, and subsequently carried at amortised cost less impairment losses.

Loans to community organisations made by Council at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the income statement as a grant. Loans to other parties at market rates are measured at amortised cost using the effective interest method. Non-current loans are discounted at the current market rate of return for a similar asset.

b. Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

The Group's investments in equity securities are classified as available for sale and are stated at fair value.

Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the Statement of Financial Performance. In the event of impairment any cumulative losses previously recognised in equity will be removed and recognised in the Statement of Financial Performance even though the asset has not been derecognised.

Impairment of Financial Assets

At each balance sheet date the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the Statement of Financial Performance.

Accounting for Derivative Financial Instruments and Hedging Activities

The Group uses derivative financial instruments such as interest rate swaps ("hedges") and forward rate agreements to manage its cash flow and interest rate risk. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date.

The Group does not satisfy all the conditions for hedge accounting and therefore all gains or losses in fair value of instruments used to manage cashflow and interest rate risk are recognised through the Statement of Financial Performance.

Financial Liabilities : Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of assets held for sale are recognised in the Statement of Financial Performance.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Property, Plant and Equipment

Property, Plant and Equipment consists of:

Operational Assets

These include land, buildings, improvements, library books, wharves, floating plant, plant, equipment, and motor vehicles.

Infrastructural Assets

Infrastructural assets are the fixed utility systems owned by Council and comprise the sewer, water, stormwater, roading, flood control, and the waste disposal infrastructures. Each asset type includes all items that are required for the network to function, for example, sewer reticulation piping and sewer pump stations.

Property, Plant and Equipment Valuation

The Group has elected to use the Public Benefit Entities exemption to revalue property, plant and equipment on an asset class basis. The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Financial Performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Statement of Financial Performance will be recognised first in the Statement of Financial Performance up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Additions

Additions between valuations are recorded at cost, except for vested assets. Certain infrastructural assets and land have been vested in Council as part of the subdivision consent process. Vested assets are recognised as revenue when control over the asset is obtained. Vested assets are valued at fair value when received.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Financial Performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent Costs

Costs incurred subsequent to the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be reliably measured.

Operational Assets Valuations

All Operational Assets are carried at cost less accumulated depreciation and impairment losses except for:

Operational Land

Operational land is valued at fair value and is not depreciated.

Operational Buildings

Operational Buildings are revalued to optimised depreciated replacement cost and depreciated between valuations. These assets are independently revalued every 3 years, or more frequently when there are indicators that the values may have changed substantially from carrying value.

Library Books - General Collections

All new and replacement books are capitalised in the year they are purchased and subsequently depreciated based on useful lives. The valuations are performed by the Head librarian and are not subject to independent review because there are readily available market prices to determine fair value.

Library Books – Permanent Collection

The permanent collection is carried at deemed cost.

Infrastructure Assets Valuations

Infrastructural Assets

Infrastructural Assets are initially recorded at depreciated replacement cost. Infrastructure assets other than roading are independently valued every 3 years at depreciated replacement costs, unless conditions indicate that carrying value is materially different to fair value, in which case assets are revalued more frequently.

Roading Assets

Roading assets are independently revalued annually.

Airport Assets

Airport assets include land, buildings, runway aprons, roading and below ground infrastructure. Airport assets are independently valued every 3 years or more frequently when there are indicators that the fair values may have changed substantially from carrying value.

Assets Under Construction

Assets under construction are valued at cost.

Biological Assets

Livestock

Livestock is valued at fair value less point of sale costs. Changes in the value of existing productive livestock and the numbers and/or composition of the livestock are treated as revenue items.

Forestry Assets

Forestry Assets consist of the Group's forestry holdings. Forestry assets are valued on the basis of fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. Forestry Assets are revalued annually. Valuation movements pass through the Statement of Financial Performance. The costs to maintain the forestry assets are included in the Statement of Financial Performance.

Council has transferred forestry rights in respect of a total of 1,608 hectares of land to Juken New Zealand Limited. The transfer relates to one harvest cycle. Under the agreement Council has contributed the land and is entitled to 16.75% of stumpage. All costs of development are borne by Juken New Zealand Limited. The value of the land (excluding the trees) and Council's right to a share of the stumpage is reflected in the Statement of Financial Position.

Intangible Assets

Software Acquisition and Development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use or with the acquisition of software licences by the Group, are recognised as an intangible asset.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Financial Performance

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

- ▶ Computer software 6 years

Impairment of Non Financial Assets

Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If the recoverable amount of a non-financial asset is less than its carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at cost is recognised as an expense in the Statement of Financial Performance. When a revalued item is written down to recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any balance recognised in the Statement of Financial Performance.

The carrying amount of a non-financial asset that has previously been written down to a recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

Depreciation

Depreciation is provided on a straight-line basis on all fixed assets other than land and land under roads. The depreciation rates used will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

INFRASTRUCTURAL ASSETS

Roads

*Pavement Surface (seal)	1 – 20 years
*Pavement Surface (unsealed) Wearing Course	5 years
*Pavement Layers (basecourse)	75 – 100 years
*Formation	(not depreciated)
*Culverts	25 – 50 years
*Footpaths	20 – 75 years
*Surface Water Channels	50 years
*Signs	12 years
*Street Lights	15 – 25 years
*Bridges	25 – 80 years
*Retaining Structures	80 years
*Traffic Signals	15 years
*Parking Meters	25 years
*Railings	10 - 15 years
*Safety Projects	10 – 13 years

Water Reticulation

*Pipes	30 – 165 years
*Valves, Hydrants	25 years
*Pump Stations	15 – 100 years
*Dams	400 years
*Structures	16 – 200 years

Sewerage Reticulation

*Pipes	60 – 100 years
*Manholes	100 years
*Treatment Plant	15 – 50 years
*Laterals	100 years

Stormwater Systems

*Pipes	62 – 100 years
*In-drain structures	25 – 100 years

Flood Control Systems

Solid Waste	25 – 100 years
	4 – 25 years

Operational Assets

Land	(not depreciated)
Buildings/Land Improvements	3 – 100 years
Plant/Machinery/Motor Vehicles	2 – 20 years
Office Equipment/Furniture	3 – 50 years

Other Equipment	5 – 25 years
Library Books	1 - 50 years
Wharves	50 years
Floating Plant	25 years
Leased Assets	3 – 8 years

Capital work in progress is not depreciated. The total cost of a project is transferred to freehold buildings, plant and equipment or infrastructural assets on its completion and then depreciated.

Employee Entitlements

The provision for annual leave employee entitlement and other employee benefits expected to be settled within 12 months of balance date has been calculated on an actual entitlement basis at current rates of pay while the other provisions have been calculated on future rates of pay, discounted using an appropriate discount rate.

Provision for accumulated sick leave is made only to the extent that it is expected to be used in future periods. The expected usage is assessed using historical average rates of use.

Long Service Leave and Retirement Leave

For retiring leave and long-service leave not expected to be taken within 12 months of balance date, the liability is equal to the present value of the estimated future cash outflows, calculated on an actuarial basis, as a result of employee services provided at balance date.

Superannuation Schemes

Defined Benefit Scheme

Council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme. Further information on this scheme is disclosed in note 33.

Provisions

Provisions are recognised for future expenditure of uncertain amount or timing when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

If the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Financial Performance net of any reimbursement.

Critical Accounting Estimates and Assumptions

In preparing these financial statements the Group has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Landfill Post Closure Costs

Paokahu

As former operator of the Paokahu landfill site, Council has an obligation to ensure the ongoing maintenance and monitoring services at this landfill site after closure.

A landfill aftercare provision has been recognised as a liability in the Balance Sheet. Provision is made for the present value of post closure costs expected to be incurred in restoring the area to its former status. The calculated cost is based on estimates of future site maintenance, supervision and monitoring costs.

The estimated length of time needed for post closure care for the Paokahu site is 35 years, from 31 December 2002.

The calculations assume no change in the legislative requirements or technological changes for closure and post closure treatment. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to Council.

Waiapu

As operator of the Waiapu landfill site, Council has an obligation to ensure the ongoing maintenance and monitoring services at this landfill site after closure.

A landfill aftercare provision has been recognised as a liability in the Balance Sheet. Provision is made for the present value of post closure costs expected to be incurred in restoring the area to its former status. The calculated cost is based on estimates of future site maintenance, supervision and monitoring costs. The estimated length of time needed for post closure care for the Waiapu site is 35 years, from 30 June 2024.

Infrastructural Assets

There are a number of assumptions and estimates used when performing the depreciated replacement cost valuations in respect of infrastructural assets. These include:

- ▶ The physical deterioration and condition of asset, for example, Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition-modelling assessments of underground assets.
- ▶ Estimating any obsolescence or surplus capacity of an asset.
- ▶ Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Income. To minimise this risk, Council's infrastructural asset's useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience.
- ▶ Asset inspections, deterioration and condition modelling are also carried out regularly as part of Council's asset management planning activities, which provides Council with further assurance over its useful life estimates.

Experienced independent valuers perform Council's infrastructural asset revaluations.

GST

The financial statements have been prepared exclusive of GST with the exception of receivables and payables, which are stated with GST included.

Budget Figures

The budget figures are those approved by Council and published in the Annual Plan. They have been prepared using the same accounting policies as are employed in preparing these financial statements.

Cost Allocation

Expenditure has been reported by the nature of the expense.

Public Equity

This represents the ratepayer's net ownership of Council. It is made up of the following components:

Accumulated Funds	Reserve Funds	Restricted Reserves
Asset Revaluation Reserves	Special Reserves	

Reserves

Reserves are a component of public equity and represent a particular use to which parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Special Funds

Special funds are recorded at cost plus accumulated interest. These funds are restricted in nature and can only be used for the special purpose for which they were set up.

Restricted Reserves

Restricted reserves are recorded at cost plus accumulated interest. These funds are subject to specific conditions accepted as binding by Council which may not be revised by Council without reference to a third party or the Courts.

Prior period Adjustments

The following prior period adjustments have been made to the 2008 year comparatives.

Following a review of assets under construction (Capital Work in Progress) Council staff identified that \$5,091K of capital expenditure should have been expensed in previous periods and therefore under NZ IAS 8 (para. 42) a restatement of 2008 comparatives is necessary.

The cumulative effect of these adjustments are:

- ▶ Expenditure on Operating Activities in the Statement of Financial Performance on page 110 increases by \$869K (Group \$40,910K to \$41,765K). The net surplus decreases \$869K to \$4,623K (Group \$4,007K to \$3,138K deficit).
- ▶ Opening accumulated surplus for 2007/08 in the Statement of Changes in Equity on page 113 decreases by \$4,222K to \$357,764K (Group \$344,894K).
The opening carrying amount for assets under construction as at 1 July 2007 in the Plant, Property and Equipment (Note 24) on pages 142 and 143 decreases by \$4,222K to \$8,067K for both Council and Group accounts.
- ▶ Property Plant and Equipment decrease by \$5,091K to \$1,684,528K in the Statement of Financial Position (Group \$1,724,845K to \$1,719,754K) on page 111.
- ▶ The equity in the Statement of Financial Position decreases by \$5,091K to \$1,687,703K (Group \$1,711,702K to \$1,706,611K).
- ▶ Accumulated surplus on the Statement of Financial Position on page 112 decreases by \$5,091K to \$358,185K (Group \$348,921K to \$343,830K).

All accounting policies have been applied on a consistent basis throughout the years presented.

Note 2 : Summary Cost of Services for the year ended 30 June 2009

Council 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s
	Activity Revenue		
51	Democratic Process	11	4
245	Policy and Facilitation	75	193
12,590	Asset Management Unit	11,437	14,894
4,097	Environmental and Sustainable Management	3,553	3,703
2,556	Business and Community Units	3,129	3,219
1,910	Support Services	2,185	2,383
21,449	Total Revenue	20,390	24,396
	Less Expenditure		
2,503	Democratic Process	1,509	1,490
2,107	Policy and Facilitation	1,535	1,786
46,316	Asset Management Unit	42,327	44,669
8,853	Environmental and Sustainable Management	7,004	6,705
4,383	Business and Community Units	3,604	3,835
1,730	Support Services	8,277	10,671
65,892	Total Expenditure	64,256	69,156
44,443	Net Cost of service	43,866	44,760

Each significant activity is stated gross of internal costs and revenues, and excludes general and targeted rates attributable to that activity (refer note 3).

Note 3 : Rates Revenue

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
38,894	38,823	Gross Rates Revenue	41,350	41,457	41,385
		Gross Rates revenue consists of :			
3,279	3,278	General Rates	4,013	4,042	4,026
9,496	9,491	Uniform Annual General Charge	9,832	9,810	9,810
26,119	26,054	Targeted Rates	27,505	27,605	27,549
38,894	38,823	Gross Rates Revenue	41,350	41,457	41,385
		Less			
508	508	Remissions ¹	500	367	367
38,386	38,315	Net Rates Revenue	40,850	41,090	41,018

¹ Council grants rates remissions to certain ratepayers. Council has a number of rates remission policies which include: remission of rates for permanent crops, whenua rahui and community, sporting and other organisations.

Note 4 : Revenue from Grants and Subsidies

Council 2007/08 Actual \$000	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
Revenue from Grants and Subsidies					
193	281	Central Government Grants	133	79	267
18,020	18,020	NZ Transport Agency Roothing Subsidies	17,156	20,698	20,698
14	14	Other Grants and Subsidies	1,281	1,990	1,990
18,227	18,315	Total Revenue from Grants and Subsidies	18,570	22,767	22,955

Revenue from grants and subsidies (and hence operating income) for Council includes \$11,625,577 (2008 \$9,006,564) relating to grants for capital work. Expenditure relating to these projects will be recognised (primarily as depreciation) over the life of the assets. Included in these capital grants was \$9,751,206 (2008 \$9,074,456) received from the NZ Transport Agency for roading related work and \$1,214,772 (2008 \$nil) from the trustees of the Stanley Green Estate for an extension to the HB Williams Memorial Library. There are no unfulfilled conditions and other contingencies attached to grants received.

Cash flows from grants and subsidies (and hence operating cash inflows) for Council includes \$10,345,988 (2008 : \$10,078,344) with respect to these capital grants where the associated cash outflows are recognised as investing activities.

Tauwhareparae Farms Limited (TFL) receives government grants from the Ministry of Agriculture and Forestry which subsidises the cost of forestry establishment, silviculture and thinning. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Note 5 : Revenue from Operating Activities

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
Revenue from Operating Activities					
651	651	Vested Assets (refer note 7)	0	8,441	8,441
293	293	Reserve Contributions	0	491	491
0	0	Development Contributions	719	905	905
196	196	Capital Contributions	15	30	30
484	484	Rates Penalties	440	639	639
10,665	14,142	Activity Revenue	9,771	10,196	15,040
273	276	Interest	165	214	215
755	5	Dividends	1,000	1,006	6
313	313	Petroleum tax	300	283	283
13,630	16,360	Total Revenue from Operating Activities	12,410	22,205	26,050

Note 6 : Revenue from Other Gains

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
Revenue from Other Gains (losses)					
(213)	(871)	Gain / (Loss) on Changes in Fair Value of Forestry Assets and stock	0	259	707
0	(13)	Gain / (Loss) on Changes in Fair Value of Livestock	0	0	1,064
401	501	Gain / (Loss) on Disposal of Property Plant and Equipment	112	720	698
86	86	Gain / (Loss) on Changes in Fair Value of Non-Current Receivables	0	(12)	(12)
274	(297)	Total Revenue from Other Gains (Losses)	112	967	2,457

Note 7 : Vested Assets

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
Revenue from Operating Activities					
333	333	Stormwater systems	0	1,812	1,812
114	114	Water systems	0	504	504
204	204	Wastewater systems	0	1,315	1,315
0	0	Roading network	0	4,810	4,810
651	651	Total Assets vested	0	8,441	8,441

The major source of vested assets is subdivisions where the developer vests the roading, sewage, water supply and stormwater systems in Council.

Note 8 : Employee Benefit Expense

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
Employee benefit expense					
13,623	14,355	Salary and Wages	14,468	15,158	15,938
50	50	Defined Contribution Plans Expense	44	91	91
(347)	(349)	Increase / (decrease) in leave liabilities	0	0	0
(2,623)	(2,623)	Less recharged to other expense categories **	(2,109)	(2,962)	(2,962)
10,703	11,433	Total Employee Benefit expense	12,403	12,287	13,067

** Wages and salaries can be recharged to other expense categories for example capitalised project costs, repairs, cleaning etc.

Note 9 : Depreciation and Amortisation Expense

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
Depreciation and Amortisation Expense					
930	930	Sewer and Wastewater Systems	1,051	1,173	1,173
1,363	1,363	Water Supply Systems	1,445	1,526	1,526
660	660	Stormwater Systems	695	727	727
167	167	Solid Waste Systems	95	267	267
84	84	Flood Control Systems	101	84	84
8,481	8,481	Roading Network	8,225	8,633	8,633
1,358	1,572	Buildings and Improvements	1,026	1,550	1,764
130	130	Library Books	26	130	130
215	217	Office Furniture and Equipment	189	191	191
131	131	Other Equipment	120	102	102
232	331	Motor Vehicles	175	229	297
25	25	Wharves	25	24	24
46	46	Other	46	46	46
152	152	Intangibles	155	190	190
13,974	14,289	Total Depreciation and Amortisation expense	13,374	14,872	15,154

Note 10 : Expenditure on Operating Activities

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
Operating Expenditure					
1,471	1,471	Administration Expenses	1,582	1,681	2,131
173	213	Audit Fees – Annual Report	190	173	208
0	15	Audit Fees - NZ IFRS Transition	0	0	0
75	75	Audit Fees - LTCCP and LTCCP Amendments	100	106	106
782	782	Consultants and Professional Services	692	909	909
515	616	Elected Members and Directors fees	507	517	615
180	180	Indirect Employment Costs	126	168	168
987	987	Grants and Donations	1,018	1,015	1,015
321	321	Insurance Costs	432	340	340
316	316	Rental and operating leases	312	319	319
5,391	5,391	Repairs and Maintenance	5,168	5,453	5,453
147	147	Bad Debts Written Off - Rates	81	170	170
14	14	Bad Debts Written Off - Other	103	155	155
286	286	Change to Impairment of Receivables	0	470	470
28,955	30,950	Other Operating Expenditure *	26,207	26,927	28,260
39,613	41,764	Total Operating Expenditure	36,518	38,403	40,319

* Other operating expenses include such items as:

electricity, operational contracts, treatment plants, pump stations, vegetation planting contracts, facilities contracts and cleaning contracts.

Note 11 : Finance Costs

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
		Finance Costs			
1,463	1,463	Interest on Debentures	1,494	1,234	1,234
140	525	Interest on Bank Borrowings	467	307	672
509	537	Losses on derivatives (interest rate swaps)	0	2,053	2,218
2,112	2,525	Total Finance Costs	1,961	3,594	4,124

Note 12 : Income Tax

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
5,492	4,059	Surplus before Tax	8,186	18,240	20,183
1,812	1,339	Tax @ 33%	0	0	0
0	0	Tax @ 30%	2,456	5,472	6,055
		Plus/(less) Tax effect of:			
(1,908)	(894)	Net Non Taxable and Non-Deductible Items	(2,456)	(5,466)	(5,475)
96	96	Tax Loss not Recognised	0	0	0
0	(285)	Utilisation of Losses brought forward	0	(6)	(469)
0	(205)	Imputation credits Utilised	0	0	0
0	1	Prior Year adjustment	0	0	0
0	52	Tax Expense	0	0	111

Deferred Tax Asset/(Liability) - Council

	Property, Plant and Equipment	Livestock	Forestry	Employee Entitlements	Tax Loss Recognised	Total
Balance July 1 2007	0	0	0	0	0	0
Charged to Profit and Loss	0	0	0	0	0	0
Charged to Equity	0	0	0	0	0	0
Balance as at 30 June 2008	0	0	0	0	0	0
Charged to Income	0	0	0	0	0	0
Charged to Equity	0	0	0	0	0	0
Balance as at 30 June 2009	\$0	\$0	\$0	\$0	\$0	\$0

Deferred Tax Asset/(Liability) - Group

Balance July 1 2007	0	0	0	0	0	0
Charged to Profit and Loss	(522)	(350)	(608)	(18)	1,342	(156)
Charged to Equity	0	0	0	0	0	0
Effect of Change in tax rate	47	32	55	2	(122)	14
Balance as at 30 June 2008	(475)	(318)	(553)	(16)	1,220	(142)
Charged to Income	(60)	225	(193)	82	(539)	(485)
Charged to Equity	302	0	0	0	0	302
Balance as at 30 June 2009	\$(233)	\$(93)	\$(746)	\$66	\$681	\$(325)

The group has not recognised a deferred tax asset of \$2,532,519 (2008 : \$2,556,509 in relation to unused tax losses of \$8,441,729 (2008 : \$8,521,697). Generally local authorities are exempt from income tax, except for income derived from any Council Controlled Organisation or port activity as per section CW32 Income Tax Act 2007.

Note 13 : Cash and Cash Equivalents

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
Cash and Cash Equivalents					
5,133	5,168	Cash at the Bank and in hand	364	249	274
0	(703)	Bank Overdrafts	0	0	0
5,133	4,465	Total Cash and Cash Equivalents	364	249	274

The carrying value of short-term deposits with maturity dates of three months or less approximate their fair value.

Note 14A : Trade and Other Receivables

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
2,647	2,647	Rates Receivables	2,088	3,655	3,655
3,457	3,457	Roading Subsidy due	5,011	3,246	3,246
23	23	Community Loans	29	21	21
50	50	Rates Postponement	0	68	68
4,193	4,725	Other Receivables	3,774	4,864	5,219
23	23	Prepayments	109	45	45
0	1	Income Tax Receivable	0	0	1
10,393	10,926		11,011	11,899	12,255
(781)	(781)	Provision for Impairment of Receivables	(495)	(1,338)	(1,338)
9,612	10,145	Total Trade and Other Receivables	10,516	10,561	10,917
Trade and Other Receivables classified as:					
8,854	9,387	Current Receivables	9,370	9,995	10,351
758	758	Non-Current Receivables	1,146	566	566
9,612	10,145		10,516	10,561	10,917

Fair Value

The carrying value of trade and other receivables (excluding community loans) approximates their fair value

Impairment

The council does not provide for any impairment on general title land rates receivable as it has various powers under the Local Government (Rating Act 2002) to recover outstanding debts.

These powers allow the council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If the payment has not been made within three months of the courts judgement, then the council can apply to the registrar of the high court to have a judgement enforced by sale or lease of the rating unit.

Because of the powers available under the Local Government (Rating Act 2002) such is rarely necessary. As at 30 June 2009 and 2008, all overdue receivables had been assessed for impairment and appropriate provisions applied. Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The impairment provisions have been calculated based on expected losses for Council's pool of debtors. Expected losses have been determined based on an analysis of Council's losses in previous periods, and review of specific debtors. Movements in the provision for impairment of receivables are as follows:

Note 14B : Impairment

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
495	495	At 1 July 2008	781	781
0	0	Less Bad Debts written off	(59)	(59)
286	286	Charge for Year	616	616
781	781	At 1 July 2009	1,338	1,338

The status of Receivables as at 30 June 2009 and 2008 are detailed below:

Note 14C : Receivables

Council 2008				Council 2009		
Gross \$000s	Impaired \$000s	Net \$000s		Gross \$000s	Impaired \$000s	Net \$000s
Receivables excluding Rates						
375	0	375	Current	1,219	0	1,219
9	0	9	Past Due 1-60 days	32	0	32
11	0	11	Past Due 61-90 days	5	0	5
252	91	161	Past due >90 days	165	164	1
647	91	556		1,421	164	1,257
Receivables including Rates						
Group 2008						
Group 2009						
Receivables excluding Rates						
908	0	908	Current	1,574	0	1,574
9	0	9	Past Due 1-60 days	32	0	32
11	0	11	Past Due 61-90 days	5	0	5
252	91	161	Past due >90 days	165	164	1
1,180	91	1,089		1,776	164	1,612

Note 14D : Rates Receivables

Council 2008			Council 2009	
No of Properties	Outstanding \$		No of Properties	Outstanding \$
General Land Rates				
997	763,340	Current < 12 months	1,656	1,431,197
643	392,984	Past Due 1 to 2 Years	194	210,702
62	108,652	Past Due 2 to 3 years	34	49,058
24	37,059	Past Due > 3 years	37	57,949
1,726	1,302,035	Total Outstanding	1,921	1,748,906
Maori Land Rates				
135	408,549	Current < 12 months	427	757,942
139	306,387	Past Due 1 to 2 Years	76	403,418
240	417,633	Past Due 2 to 3 years	68	297,805
73	211,134	Past Due > 3 years	258	446,951
587	1,343,703	Total Outstanding	829	1,906,116
Metered Water Supply				
59	76,975	Current < 12 months	600	277,417
8	2,489	Past Due 1 to 2 Years	4	1,186
8	2,735	Past Due 2 to 3 years	18	5,299
14	12,454	Past Due > 3 years	13	31,134
89	94,653	Total Outstanding	635	315,036

Note 15 : Inventories

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
Inventories					
56	56	Bushmere Road Rail Irons	56	52	52
28	28	WRFCs Rock Pile	28	0	0
22	22	Olympic Pool	22	15	15
8	8	Drainage	8	8	8
44	44	Timber	17	15	15
55	55	Soil Conservation	55	67	67
0	40	Farming	0	0	46
1	1	Other	16	2	2
214	254	Total Inventories	202	159	205

No inventories have been pledged as security for liabilities.

Note 16 : Investments

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Number	Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
1,406	1,406	Nolans - Call Deposit Account		0	0	0
0	0	Term Deposit < 12 months		2,140	1,252	1,252
Ordinary Shares:						
20,178	0	Gisborne Holdings Ltd	1,200,090	20,178	20,178	0
131	131	Local Government Insurance Corporation Ltd	43,702	121	132	132
0	191	Tauwhareparae Farms Limited - Investments		0	0	189
21,715	1,728	Total Investments		22,439	21,562	1,573
Investments classified as:						
1,406	1,406	Current Investments		2,140	1,252	1,252
20,309	322	Non-Current Investments		20,299	20,310	321
21,715	1,728			22,439	21,562	1,573

Gisborne Holdings Limited

The carrying amount of this investment is recorded at fair value.

Local Government Insurance Corporation Limited

The carrying amount of this investment is recorded at fair value through the Statement of Financial Performance.

Note 17A : Derivatives

The Group has Interest rate swap contracts with a fair value liability of \$2,091,564 (2008: Financial Asset \$155,000). Council's interest rate swaps at fair value liability of \$1,898,563 (2008: Financial Asset \$155,000). These swaps are exposed to fair value movements if interest rates change.

The weighted average effective interest rate of the interest rate swaps was 6.51% (2008 : 7.09%). Fair value of the Group's interest rate swaps is determined by bank valuations as at Balance Date.

The interest rate swaps are measured at fair value. As the Group does not apply hedge accounting, movements in fair value are taken directly to the Statement of Financial Performance. The movement in fair value is shown below:

Note 17B : Derivatives

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
Current					
155	155	Current asset -interest rate swaps	448	0	0
0	0	Current liability - interest rate swaps	0	(281)	(281)
Non-Current					
0	(28)	Non-current liability - interest rates swaps	0	(1,618)	(1,811)
155	127	Total Derivative Financial Instruments	448	(1,899)	(2,092)

For further information on the interest rate swaps please refer to Note 29 : Financial Instruments.

Note 18 : Non Current Assets Held for Sale

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
1,828	1,828	Land	0	908	908
1,828	1,828	Total Non-Current Assets Held for Sale	0	908	908

During 1996 and 1997 Council purchased rural property for resale for future industrial development to encourage industry to the district. All purchases were classified as "Property for Sale" until some were reclassified as Land and Buildings on 1 July 2005 upon the adoption of NZ IFRS.

Note 19 : Deposits Held

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
20	20	General and Other Deposits	27	39	39
33	33	Resource Consent Bonds	9	24	24
112	112	Footpath Deposits	78	123	123
25	25	Tender Deposits	26	15	15
13	13	Gisborne Rural Volunteer Fire	0	13	13
53	53	Computers in Homes Project	205	(14)	(14)
256	256	Total Deposits held	345	200	200

Note 20 : Trade and Other Payables

Council 2007/08 Actual \$000	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
ACCOUNTS PAYABLE					
1,298	1,298	Income in Advance	0	147	147
1,312	1,312	Rates in Advance	1,006	1,342	1,342
945	945	Contract Retentions	766	732	732
303	303	Accruals - Loan Interest	0	255	255
561	561	Accruals - Other	2,509	1,566	1,566
4,724	5,056	Trade Payables	4,866	4,330	4,637
9,143	9,475	Total Trade and Other Payables	9,147	8,372	8,679

Trade and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value.

Note 21 : Employee Benefit Liabilities

Council	Accrued Wages & Salaries \$000s	Annual Leave \$000s	Long Service Leave \$000s	Retirement Gratuities \$000s	Sick Leave \$000s	Total \$000s
2008						
Balance at 1 July 2007	830	1,168	116	264	126	2,504
Additional provisions made	0	2,064	0	0	0	2,064
Amounts used	(489)	(1,866)	(20)	(36)	0	(2,411)
Balance at 30 June 2008	341	1,366	96	228	126	2,157
2009						
Balance at 1 July 2008	341	1,366	96	228	126	2,157
Additional provisions made	0	2,124	0	38	14	2,176
Amounts used	(146)	(2,027)	(3)	0	0	(2,176)
Balance at 30 June 2009	195	1,463	93	266	140	2,157
Current Portion	195	1,463	61	146	140	2,005
Non Current Portion	0	0	32	120	0	152
Total Provisions	195	1,463	93	266	140	2,157

Sick Leave

Provision for sick leave is made only to the extent that is expected to be used in future periods and assessed using a three yearly rolling average on actual hours taken in excess of entitlement.

Long Service Leave and Retirement Leave

Council has calculated retiring and long service leave using an estimated probability calculation. As an employee grows older and nearing retirement age the probability of eligibility to their full entitlement increases from 10% to 100%.

Retirement leave calculations have been calculated at future rates of pay and been discounted to present value using a discount rate of 7.13%.

Note 22 : Borrowings

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
4,000	4,000	Bank Loans	0	3,150	3,150
5,000	5,000	Debentures	0	0	0
9,000	9,000	Total Current	0	3,150	3,150
0	3,733	Bank Loans	12,031	0	3,733
15,000	15,000	Debentures and FRN Debt Securities	15,000	15,000	15,000
15,000	18,733	Total Non - Current	27,031	15,000	18,733
24,000	27,733	Total Borrowings	27,031	18,150	21,883

Note 22A : Fair Value

The carrying amounts of borrowings approximate their fair value as the Council and the Group's secured loans and debentures are on floating interest rates.

Debenture and Floating Rate Note (FRN) Debt Securities

Council has issued \$15m (2008:\$20m) of debentures and floating rate notes with maturities from August 2015 to July 2012. Interest is paid quarterly in arrears. The interest rates range as at 30 June 2009 varying from 2.988 % to 3.078% (2008 : 9.03% and 9.20%) and are subject to quarterly reset dates.

Bank Facilities

Council has \$20m (2008:\$20m) worth of committed bank facilities available on a two year basis. Interest is payable at wholesale market rates. The interest rate as at 30 June 2009 was 4.25% (2008 : 9.05%) Of these facilities a total of \$3.15m has been drawn at balance date (2008 : \$4m). Tauwhareparae Farms Limited has a wholesale advance facility with a limit of \$4 million and a wholesale term loan facility with a limit of \$4 million. Interest rates payable on Tauwhareparae Farms Limited's facility are between 8.35% and 8.55% (2008 : 9.20% and 9.21%).

Security

Council borrowings are secured by way of a Debenture Trust Deed over Council rates revenue. Tauwhareparae Farms Limited (TFL) loans are secured by way of general security agreement including a mortgage over TFL's freehold land.

Note 23 : Provision for Other Liabilities

Council and Group	Paokahu Landfill Aftercare \$000s	Waiapu Landfill Aftercare \$000s	Waiapu Landfill Closure \$000s	Riskpool \$000	Total \$000s
2008					
Balance at 1 July 2007	1,124	343	6	0	1,473
Additional provisions made	0	0	0	0	0
Amounts used	(41)	0	0	0	(41)
Balance at 30 June 2008	1,083	343	6	0	1,432
2009					
Balance at 1 July 2008	1,083	343	6	0	1,432
Additional provisions made	76	0	0	65	141
Amounts used	(70)	0	0	0	(70)
Unused amount reversed	0	(115)	0	0	(115)
Balance at 30 June 2009	1,089	228	6	65	1,388
Current Portion	72	0	0	65	137
Non Current Portion	1,017	228	6	0	1,251
Total Provisions	1,089	228	6	65	1,388

Paokahu Landfill

The Landfill closed on 31 December 2002. The Aftercare costs started six months after the closure of the site. It is expected that future costs will be incurred until 2037.

The following major assumptions have been made in calculating this provision:

- ▶ A discount rate of 7.0% (2008 : 7.0%) and inflation factor of 2.5%.

Increased aftercare costs for Paokahu Landfill were recognised following the Paokahu Aftercare Plan Review in 2007, the first review since 2004. The next review is scheduled for 2010.

Waiapu Landfill

A provision of \$227,538 is recognised for discounted costs still to be expended on Waiapu Landfill Aftercare. The Landfill is expected to close on 30 June 2024. The aftercare costs are expected to start six months after the closure of the site. It is expected that future costs will be incurred between 2025 - 2059.

The following major assumptions have been made in calculating this provision:

- ▶ A discount rate of 7.0% (2008 : 7.0%) and inflation factor of 2.5%.

Riskpool Liability

Please refer to Note 33 : Contingent Liabilities.

Note 24 : Property Plant and Equipment

Council 2009	Cost/ Valuation 1-Jul-08	Accumulated Depreciation & Impairment 1-Jul-08	Carrying Amount 1-Jul-08	Current Year Additions	Current Year Disposals	Revaluation Current Year	Current Year Depreciation	Cost/ Revaluation 30-Jun-09	Accumulated Depreciation & Impairment 30-Jun-09	Carrying Amount 30-Jun-09
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operational Assets										
Land	227,463	0	227,463	3,195	(589)	0	0	230,069	0	230,069
Buildings/Land Improvements	46,789	0	46,789	2,205	(347)	0	1,508	48,647	1,508	47,139
Buildings not Revalued	1,587	466	1,121	8	0	0	42	1,595	508	1,087
Plant /Motor Vehicles	3,156	1,906	1,250	437	(280)	0	229	3,313	1,870	1,443
Office Equipment	3,170	2,059	1,111	469	0	0	191	3,639	2,250	1,389
Other Equipment	668	231	437	95	0	0	102	763	333	430
CBD	1,673	386	1,287	0	0	0	46	1,673	432	1,241
Wharves	1,242	79	1,163	0	0	0	24	1,242	103	1,139
Library Books - General	2,532	2,125	407	180	0	0	130	2,712	2,255	457
Library Books - Permanent	306	6	300	0	0	0	0	306	6	300
Assets Under Construction (Note 24A)	1,939	0	1,939	4,453	0	0	0	6,392	0	6,392
Total Operational Assets	290,525	7,258	283,267	11,042	(1,216)	0	2,272	300,351	9,265	291,086
Infrastructural Assets										
Sewer and Wastewater	43,684	0	43,684	2,089	0	0	1,173	45,773	1,173	44,600
Stormwater	42,553	0	42,553	2,310	0	2,118	727	46,981	727	46,254
Water Supply	89,229	0	89,229	702	0	0	1,526	89,931	1,526	88,405
Solid Waste	3,116	0	3,116	436	0	0	267	3,552	267	3,285
Roading	1,180,840	0	1,180,840	17,140	0	12,203	8,633	1,201,550	0	1,201,550
Flood Control	42,258	419	41,839	0	0	10,053	84	51,808	0	51,808
Total Infrastructural Assets	1,401,680	419	1,401,261	22,677	0	24,374	12,410	1,439,595	3,693	1,435,902
Total Property Plant and Equipment	1,692,205	7,677	1,684,528	33,719	(1,216)	24,374	14,682	1,739,946	12,958	1,726,988

Council 2008	Cost/ valuation 1-Jul-07	Accumulated Depreciation & Impairment 1-Jul-07	Carrying Amount 1-Jul-07	Current Year Additions	Current Year Disposals	Revaluation Current Year	Current Year Depreciation	Cost/ Revaluation 30-Jun-08	Accumulated Depreciation & Impairment 30-Jun-08	Carrying Amount 30-Jun-08
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operational Assets										
Land	312,726	0	312,726		(134)	(85,129)		227,463	0	227,463
Buildings/Land Improvements	42,288	0	42,288	689	(2)	5,131	1,317	46,789	0	46,789
Buildings Not Revalued	1,594	425	1,169	(7)			41	1,587	466	1,121
Plant /Motor Vehicles	3,081	1,889	1,192	301	(226)		232	3,156	1,906	1,250
Office Equipment	2,987	1,844	1,143	183			215	3,170	2,059	1,111
Other Equipment	605	100	505	63			131	668	231	437
CBD	1,679	340	1,339		(6)		46	1,673	386	1,287
Wharves	1,242	54	1,188				25	1,242	79	1,163
Library Books - General	2,402	1,995	407	157	(27)		130	2,532	2,125	407
Library Books - Permanent	306	6	300					306	6	300
Assets Under Construction*	8,067	0	8,067	(5,259)	(869)			1,939	0	1,939
Total Operational Assets	376,977	6,653	370,324	(3,873)	(1,264)	(79,998)	2,137	290,525	7,258	283,267
Infrastructural Assets										
Sewer and Wastewater	41,049	0	41,049	631	(8)	2,942	930	43,684	0	43,684
Stormwater	38,885	0	38,885	3,069		1,259	660	42,553	0	42,553
Water Supply	79,621	0	79,621	397		10,574	1,363	89,229	0	89,229
Solid Waste	2,533	0	2,533	801	(23)	(28)	167	3,116	0	3,116
Roading	1,138,855	0	1,138,855	16,098		34,368	8,481	1,180,840	0	1,180,840
Flood Control	42,258	335	41,923				84	42,258	419	41,839
Total Infrastructural Assets	1,343,201	335	1,342,866	20,996	(31)	49,115	11,685	1,401,680	419	1,401,261
Total Property Plant & Equipment	1,720,178	6,988	1,713,190	17,123	(1,295)	(30,883)	13,822	1,692,205	7,677	1,684,528

* 2008 figures have been restated by \$5,091,000. Please refer to Changes in Accounting Policies on page 128 for more information.

Group 2009	Cost/ valuation 1-Jul-08	Accumulated Depreciation & Impairment 1-Jul-08	Carrying Amount 1-Jul-08	Current Year Additions	Current Year Disposals	Revaluation Current Year	Current Year Depreciation	Cost/ Revaluation 30-Jun-09	Accumulated Depreciation & Impairment 30-Jun-09	Carrying Amount 30-Jun-09
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operational Assets										
Land	258,108	0	258,108	3,195	(589)	(4,325)	0	256,389	0	256,389
Buildings/Land Improvements	51,111	0	51,111	2,253	(352)	431	1,722	53,443	1,722	51,721
Buildings Not Revalued	1,587	466	1,121	8	0		42	1,595	508	1,087
Plant /Motor Vehicles	3,623	2,129	1,494	550	(337)		297	3,836	2,161	1,675
Office Equipment	3,189	2,063	1,126	469	0		191	3,658	2,254	1,404
Other Equipment	668	231	437	95	0		102	763	333	430
CBD	1,673	386	1,287	0	0		46	1,673	432	1,241
Wharves	1,242	79	1,163	0	0		24	1,242	103	1,139
Library Books - General	2,532	2,125	407	180	0		130	2,712	2,255	457
Library Books - Permanent	306	6	300	0	0		0	306	6	300
Assets Under Construction	1,939	0	1,939	4,453	0		0	6,392	0	6,392
Total Operational Assets	325,978	7,485	318,493	11,203	(1,278)	(3,894)	2,554	332,009	9,774	322,235
Infrastructural Assets										
Sewer and Wastewater	43,684	0	43,684	2,089	0	0	1,173	45,773	1,173	44,600
Stormwater	42,553	0	42,553	2,310	0	2,118	727	46,981	727	46,254
Water Supply	89,229	0	89,229	702	0	0	1,526	89,931	1,526	88,405
Solid Waste	3,116	0	3,116	436	0	0	267	3,552	267	3,285
Roading	1,180,840	0	1,180,840	17,140	0	12,203	8,633	1,201,550	0	1,201,550
Flood Control	42,258	419	41,839	0	0	10,053	84	51,808	0	51,808
Total Infrastructural Assets	1,401,680	419	1,401,261	22,677	0	24,374	12,410	1,439,595	3,693	1,435,902
Total Property Plant & Equipment	1,727,658	7,904	1,719,754	33,880	(1,278)	20,480	14,964	1,771,604	13,467	1,758,137

Group 2008	Cost/ Valuation 1-Jul-07	Accumulated Depreciation & Impairment 1-Jul-07	Carrying Amount 1-Jul-07	Current Year Additions	Current Year Disposals	Revaluation Current Year	Current Year Depreciation	Cost/ Revaluation 30-Jun-08	Accumulated Depreciation & Impairment 30-Jun-08	Carrying Amount 30-Jun-08
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operational Assets										
Land	343,526	0	343,526		(134)	(85,284)		258,108	0	258,108
Buildings/Land Improvements	46,628	0	46,628	693	(71)	5,393	1,531	51,111	0	51,111
Buildings Not Revalued	1,594	425	1,169	(7)			41	1,587	466	1,121
Plant /Motor Vehicles	3,521	2,013	1,508	335	(233)		331	3,623	2,129	1,494
Office Equipment	3,006	1,846	1,160	183			217	3,189	2,063	1,126
Other Equipment	605	100	505	63			131	668	231	437
CBD	1,679	340	1,339		(6)		46	1,673	386	1,287
Wharves	1,242	54	1,188				25	1,242	79	1,163
Library Books - General	2,402	1,995	407	157	(27)		130	2,532	2,125	407
Library Books - Permanent	306	6	300					306	6	300
Assets Under Construction*	8,067	0	8,067	(5,259)	(869)*			1,939	0	1,939
Total Operational Assets	412,576	6,779	405,797	(3,835)	(1,340)	(79,891)	2,452	325,978	7,485	318,493
Infrastructural Assets										
Sewer and Wastewater	41,049	0	41,049	631	(8)	2,942	930	43,684	0	43,684
Stormwater	38,885	0	38,885	3,069		1,259	660	42,553	0	42,553
Water Supply	79,621	0	79,621	397		10,574	1,363	89,229	0	89,229
Solid Waste	2,533	0	2,533	801	(23)	(28)	167	3,116	0	3,116
Roading	1,138,855	0	1,138,855	16,098		34,368	8,481	1,180,840	0	1,180,840
Flood Control	42,258	335	41,923				84	42,258	419	41,839
Total Infrastructural Assets	1,343,201	335	1,342,866	20,996	(31)	49,115	11,685	1,401,680	419	1,401,261
Total Property Plant & Equipment	1,755,777	7,114	1,748,663	17,161	(1,371)	(30,776)	14,137	1,727,658	7,904	1,719,754

* 2008 figures have been restated by \$5,091,000. Please refer to Changes in Accounting Policies on page 128 for more information.

The following asset classes have been revalued this year:

Roading Assets

The roading asset valuation was undertaken at 30 June 2009 by Barry Pehi and Guy Corcoran, independent Valuers of MWH Limited, Christchurch. The roading asset valuation as at 30 June 2009 is dated 4 September 2009 with a fair value (excluding carparks) of \$1,201,548,894.

Flood Control Assets

The flood control asset valuation was undertaken at 30 June 2009 by Dave Peacock, independent Rivers Consultant of Peacock DH Limited, Gisborne. The flood control asset valuation as at 30 June 2009 is dated September 2009 with a fair value of \$51,808,005.

Note 24A : Assets Under Construction

	GDC		GROUP	
	2008	2009	2008	2009
	\$000	\$000	\$000	\$000
Other	41	0	41	0
Buildings/Land Improvements	605	572	605	572
Sewer and Wastewater	415	2,616	415	2,616
Stormwater	14	0	14	0
Water Supply	186	124	186	124
Solid Waste	204	0	204	0
Roading	474	2,975	474	2,975
Wharves	0	35	0	35
Flood Control	0	70	0	70
TOTAL ASSETS UNDER CONSTRUCTION	\$1,939*	\$6,392	\$1,939	\$6,392

* 2008 figures have been restated by \$5,091,000. Please refer to Changes in Accounting Policies on page 128 for more information.

Sewer and Wastewater

Council 2009 assets under construction includes \$2.62m for the new wastewater treatment project which is planned to commence operating during the 2009-2010 financial year.

Note 25 : Intangible Assets

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
		Computer Software			
703	703	Balance at 1 July - Cost	0	1,006	1,006
(217)	(217)	Less Accumulated Amortisation and impairment	0	(369)	(369)
486	486	Opening Carrying Amount	0	637	637
303	303	Additions	0	342	342
(152)	(152)	Less Amortisation Charge	0	(190)	(190)
637	637	Closing Carrying Amount	0	789	789
		Balance at 30 June			
1,006	1,006	Cost	0	1,244	1,244
(369)	(369)	Less Accumulated Amortisation and impairment	0	(455)	(455)
637	637	Closing Carrying Amount	0	789	789

Note 26A : Biological Assets – Livestock

Biological Assets

Biological assets consist of sheep and cattle (livestock) and forestry. The Group farms livestock for the sale of sheep, lambs, cattle and calves. As at 30 June 2009 the Group had 31,546 sheep, 5,783 cattle (2008 : 37,512 sheep, and 5,896 cattle). During the year the Group sold 40,689 sheep, 2,260 cattle (2008 : 38,477 sheep, 1,793 cattle).

Reconciliation of Opening Balance to Closing Balance - 2009

Group	Sheep		Cattle		Total
	Quantity	\$000	Quantity	\$000	\$000
Opening Balance as at 1 July	37,512	2,301	5,896	3,892	6,193
Plus Natural Increase	36,853	2,720	2,139	1,123	3,843
Plus Purchases	61	37	26	84	121
Plus Changes in Fair Value		1,358		469	1,827
Less Sales	(40,689)	(2,861)	(2,260)	(1,636)	(4,497)
Less Death and Killed	(2,191)	(205)	(18)	(25)	(230)
Closing Balance as at 30 June	31,546	3,350	5,783	3,907	7,257

Reconciliation of Opening Balance to Closing Balance - 2008

Group	Sheep		Cattle		Total
	Quantity	\$000	Quantity	\$000	\$000
Opening Balance as at 1 July	37,489	2,557	5,358	3,649	6,206
Plus Natural Increase	42,572	2,212	2,353	1,144	3,356
Plus Purchases	78	29	27	83	112
Plus Changes in Fair Value	0	(374)	0	258	(116)
Less Sales	(38,477)	(1,884)	(1,793)	(1,197)	(3,081)
Less Death and Killed	(4,150)	(239)	(49)	(45)	(284)
Closing Balance as at 30 June	37,512	2,301	5,896	3,892	6,193

The fair value of livestock is determined by independent valuation as at 30 June 2009. The independent livestock valuation was performed by PG Wrightson, independent livestock agents, in accordance with the Group's accounting policy detailed in Note 1.

The independent valuation used the quoted price in an active market as the appropriate basis for determining fair value. Where there is more than one active market that the company has access to, the most relevant market has been used.

The gain on initial recognition of livestock sold is recognised in the Statement of Financial Performance in the year of harvest. At time of harvest, wool is recorded as inventory.

Note 26D : Forestry

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
1,052	3,472	Balance at 1 July	869	2,711
3	83	Increases due to Purchases	0	195
(186)	(844)	Gains/ (losses) arising from changes in fair value less estimated point of sale costs attributable to price changes	285	734
0	0	Decreases due to sales	0	0
0	0	Decreases due to harvest	0	0
869	2,711		1,154	3,640

No forests have been harvested during the period (2008 : Nil).

Council's Forestry Holdings have been valued by Theo Vos, NZ Institute of Forestry Registered Forestry Consultant, of PF Olsen and Company Limited. A post-tax discount rate of 7.00% has been used in discounting the present value of expected cash flows (2008 : 8.06%).

The valuation of the Pamoā Forestry assets as at 30 June 2009 is dated 10 September 2009 with a net current valuation of \$522,000.

The valuation of the Council's forestry assets as at 30 June 2009 is dated 10 September 2009 with a net current valuation of \$632,000.

Tauwhareparae Forests Limited

The fair value of the forest tree crop is determined by independent valuation. Independent forestry valuation as at 30 June 2009 was performed by PF Olsen and Company Limited, independent providers of professional forestry services. The fair value is assessed as follows:

- ▶ The maturity value of the existing tree crop and the future costs of realising that revenue are determined.
- ▶ Future costs and revenue are discounted from the year in which they occur to the date of the valuation by applying an appropriate discount rate.

The appropriate discount rate is determined by considering the recent sales of forests and the relative sensitivity of the value of the forest to future log prices.

Significant assumptions applied in this determination of fair value are:

Appropriate Discount Rate (post-tax)	7.0%
Rate of Inflation	3.0%
Rate of Tax	30.0%

During the year \$195,540 (2008 : \$80,058) of forestry development expenditure was capitalised to the forest asset.

Financial Risk Management Strategies

The Group is exposed to financial risks arising from changes in timber prices. The Group is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future, therefore, has not taken any measures to manage the risks of a decline in timber prices.

Note 27 : Equity

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
Accumulated Surplus (Retained Earnings)					
357,764	344,894	Balance at 1 July	383,458	358,185	343,830
(4,880)	(4,880)	Transfers to 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) for the year	8,186	18,240	20,072
358,185	348,830	Balance at 30 June	370,565	359,419	346,896
Special Funds					
17,901	17,901	Balance at 1 July	14,197	22,781	22,781
4,880	4,880	Transfer from Retained Earnings	7,303	17,651	17,651
22,781	22,781	Balance at 30 June	21,500	40,432	40,432
Restricted Reserves					
210	210	Balance at 1 July	123	128	128
(82)	(82)	Transfer (to)/from Retained Earnings	78	1	1
128	128	Balance at 30 June	201	129	129
Reserve Funds					
(11)	(11)	Balance at 1 July	(12)	(11)	(11)
0	0	Transfer (to)/from Retained Earnings	0	1	1
(11)	(11)	Balance at 30 June	(12)	(10)	(10)
Asset Revaluation Reserves					
1,337,494	1,370,686	Balance at 1 July	1,162,086	1,306,620	1,339,883
(30,874)	(30,803)	Revaluations	303,410	23,614	19,646
1,306,620	1,339,883	Balance at 30 June	1,465,496	1,330,234	1,359,529

Note 27A : Asset Revaluation Reserve

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
87	84	Investments	88	83
		Operational Assets:		
210,678	242,455	Land	210,287	237,739
25,660	27,149	Buildings/ Land Improvements	25,290	27,138
102	102	CBD	102	102
467	467	Office Equipment	467	467
499	499	Other Equipment	499	499
		Infrastructural Assets:		
14,450	14,450	Sewer and Wastewater	14,450	14,450
15,361	15,361	Stormwater	17,479	17,479
32,448	32,448	Water Supply	32,448	32,448
336	336	Solid Waste	336	336
975,672	975,672	Roading	987,875	987,875
30,860	30,860	Flood Control	40,913	40,913
1,306,620	1,339,883		1,330,234	1,359,529

Note 28 : Reconciliation of Net Surplus

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
4,623	3,138	Reported Net Accounting Surplus/Deficit	18,240	20,072
		Add/(Deduct) Non Cash Items		
13,974	14,289	Depreciation and Amortisation	14,872	15,154
(651)	(651)	Vested Assets	(8,441)	(8,441)
(10)	(19)	Other Fixed and Investment Asset Changes/ (Credits)	0	0
0	13	Livestock Holding (Gain)/ Loss	0	(1,064)
790	790	Work in Progress written off to Operating Expense	0	0
474	502	Unrealised (Gain)/Loss on Derivative Financial Instruments	2,053	2,218
(401)	(501)	(Profit)/ Loss on Disposal of Assets	(720)	(698)
(51)	(51)	(Gain) /Loss on Long Term Receivables	12	12
286	286	Impairment - Rates and Sundry Debtors	557	557
213	871	Forestry Value (Gain) / Loss	(259)	(707)
0	0	Increase in Deferred Taxation	0	111
(41)	(41)	Landfill Aftercare Provision (Release)/Increase	(109)	(109)
14,583	15,488		7,965	7,033
		Add Items classified as Investing Activities		
(193)	(193)	Capitalisation of Interest Borrowing Costs	0	0
(231)	(231)	Purchase of Plant, Property and Equipment included in Trade Payables	(718)	(718)
(424)	(424)		(718)	(718)

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
		Increase/(Decrease) in Working Capital		
856	645	Trade and Other Receivables	(1,314)	(1,138)
(14)	(24)	Inventories	55	49
(514)	(521)	Trade and Other Payables	(614)	(643)
(347)	(347)	Employee Benefit Liabilities	0	(32)
0	57	Increase/(Decrease) in Deferred tax Liability	0	0
0	0	Increase/(Decrease) in Revaluation Reserve due to Deferred tax	0	0
(19)	(190)		(1,873)	(1,764)
		Other Movements		
189	189	Non-Current Receivables	(192)	(192)
18,952	18,201	Net Cash Inflow from Operating Activities	23,422	24,431

Note 29 : Financial Instruments

Financial Risk Management Objectives and Policies

The Group's financial instruments include the following financial assets and liabilities:

Cash and cash equivalents, trade and other receivables, available-for-sale financial assets, and the following financial liabilities: accounts payable and borrowings from bank funding and secured debentures, and derivative financial instruments.

Note 29A : Financial Instruments

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
		FINANCIAL ASSETS (IAS 39)			
		Non Current Assets			
758	758	Trade and Other Receivables	1,146	566	566
758	758	Loans and Receivables at Amortised Cost	1,146	566	566
20,309	322	Investments - Non Current	20,299	20,310	321
20,309	322	Available for Sale Financial Assets	20,299	20,310	321
		Current Assets			
1,406	1,406	Investments - Current	2,140	1,252	1,252
1,406	1,406	Available for Sale - Financial Assets	2,140	1,252	1,252
5,133	4,465	Cash and Cash Equivalents	364	249	274
8,854	9,387	Trade and Other Receivables	9,370	9,995	10,351
13,987	13,852	Loans and Receivables at Amortised Cost	9,734	10,244	10,625
155	155	Derivative Financial Instruments Assets	448	0	0
155	155	Fair Value Through Profit and Loss - Held for Trading	448	0	0
		FINANCIAL LIABILITIES (IAS 39)			
		Non Current Liabilities			
0	3,733	Bank Loan	0	0	3,733
15,000	15,000	Secured Debentures	15,000	15,000	15,000
15,000	18,733	Financial Liabilities Measured at Amortised Cost	15,000	15,000	18,733
0	28	Derivative Financial Instruments	(46)	1,618	1,811
0	28	Fair Value Through Profit and Loss - Held for Trading	(46)	1,618	1,811

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
		Current Liabilities			
0	0	Derivative Financial Instruments	0	281	281
4,000	4,000	Bank Loan	0	3,150	3,150
5,000	5,000	Secured Debentures	0	0	0
11,512	11,879	Trade Payables and Accruals	11,928	10,714	11,021
20,512	20,879	Financial Liabilities at Amortised Cost	11,928	14,145	14,452

Interest rate swaps are used to reduce exposure to fluctuations in interest rates arising on floating rate borrowings. The main purpose of the Group's financial instruments is to raise finance for the Group's operations.

As part of its normal operations, the Group is exposed to credit risk, interest rate risk and liquidity risk. The Group's exposure to these risks and the action that the Group has taken to minimise the impact of these risks is outlined below:

Fair Value

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arms length transaction. The fair values of all financial instruments equate to the carrying amount recognised in the Statement of Financial Position.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the Group, causing the Group to incur a loss. The Group has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

The Group invests funds only in deposits with registered banks and its investment policy limits the amount of credit exposure to any one institution or organisation.

The Group only invests funds with those entities which have a Standard and Poor's credit rating of at least A2 for short term and A – for long-term investments. Accordingly, the Group does not require any collateral or security to support these financial instruments.

The Group's maximum exposure to credit risk at balance date is:

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
		Financial Assets		
5,133	5,168	Cash and Cash Equivalents	249	274
155	155	Derivative Financial Instruments	0	0
9,612	10,145	Trade and Other Receivables	9,995	10,351
1,406	1,406	Current Investments	1,252	1,252
16,306	16,874	Total Financial Assets	11,496	11,877

The ageing profile of trade and other receivables at the reporting date is as follows:

Council 2008				Council 2009		
Gross \$000s	Impaired \$000s			Gross \$000s	Impaired \$000s	
			Trade and Other Receivables			
5,585	0		Current	6,184	0	
0	0		Past Due 0-3 months	37	0	
0	0		Past Due 3-6 months	0	0	
4,808	781		Past due More than 6 Months	5,678	1,338	
10,393	781			11,899	1,338	
Group 2008				Group 2009		
Gross \$000s	Impaired \$000s			Gross \$000s	Impaired \$000s	
			Trade and Other Receivables			
6,118	0		Current	6,540	0	
0	0		Past Due 0-3 months	37	0	
0	0		Past Due 3-6 months	0	0	
4,808	781		Past due More than 6 Months	5,678	1,338	
10,926	781			12,255	1,338	

The concentration of receivables past due more than 6 months primarily relates to rates and fines receivable. Due to their nature, the collection pattern for rates and fines receivable is longer than that for trade.

Liquidity Risk

Liquidity risk is the risk arising from unmatched cash flows and maturities. To provide flexibility in the management of the Group's liquidity, the Group has committed bank advance facilities available (for details refer to Note 22 : Borrowings).

The Group's strong liquidity management means that it is cost effective to maintain negative working capital. On a cash flow basis, the Council maintains sufficient funds to cover all obligations as they fall due. Facilities are maintained in accordance with the Council's Treasury Management Policy and Guidelines.

Contractual Maturity Analysis of Financial Assets

The table below analyses Council's financial assets into relevant maturity groupings based on the remaining period at the balance date to the contracted maturity date.

Council 2009	Statement of Financial Position	Total Contractual Cash Flows	0-12 months	1-2 Years	2-5 years	> 5 Years
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Cash and Cash Equivalents	249	249	249	0	0	0
Trade and Other Receivables	11,899	11,899	8,362	1,615	802	1,120
Current Investments	1,252	1,252	1,252	0	0	0
Total Financial Assets	13,400	13,400	9,863	1,615	802	1,120

Council 2008	Statement of Financial Position	Total Contractual Cash Flows	0-12 months	1-2 Years	2-5 years	> 5 Years
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Cash and Cash Equivalents	5,133	5,133	5,133	0	0	0
Trade and Other Receivables	10,393	10,393	7,328	858	1,028	1,179
Current Investments	1,406	1,406	1,406	0	0	0
Total Financial Assets	16,932	16,932	13,867	858	1,028	1,179

Group 2009	Statement of Financial Position	Total Contractual Cash Flows	0-12 months	1-2 Years	2-5 years	> 5 Years
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Cash and Cash Equivalents	274	274	274	0	0	0
Trade and Other Receivables	12,255	12,255	8,718	1,615	802	1,120
Current Investments	1,252	1,252	1,252	0	0	0
Total Financial Assets	13,781	13,781	10,244	1,615	802	1,120

Group 2008	Statement of Financial Position	Total Contractual Cash Flows	0-12 months	1-2 Years	2-5 years	> 5 Years
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Cash and Cash Equivalents	4,465	4,465	4,465	0	0	0
Trade and Other Receivables	10,926	10,926	7,861	858	1,028	1,179
Current Investments	1,406	1,406	1,406	0	0	0
Total Financial Assets	16,797	16,797	13,732	858	1,028	1,179

Contractual Maturity Analysis of Financial Liabilities

The table below analyses Council's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

Council 2009	Statement of Financial Position	Total Contractual Cash Flows	0-12 months	1-2 Years	2-5 years	> 5 Years
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Trade and Other Payables	10,714	10,714	10,714	0	0	0
Bank Loans	3,150	3,150	3,150	0	0	0
Debentures	15,000	15,000	0	0	10,000	5,000
Total Financial Liabilities	28,864	28,864	13,864	0	10,000	5,000

Council 2008	Statement of Financial Position	Total Contractual Cash Flows	0-12 months	1-2 Years	2-5 years	> 5 Years
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Trade and Other Payables	11,512	11,512	11,512	0	0	0
Bank Loans	4,000	4,000	4,000	0	0	0
Debentures	20,000	20,000	5,000	0	6,000	9,000
Total Financial Liabilities	35,512	35,512	20,512	0	6,000	9,000

Group 2009	Statement of Financial Position	Total Contractual Cash Flows	0-12 months	1-2 Years	2-5 years	> 5 Years
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Trade and Other Payables	11,021	11,021	11,021	0	0	0
Bank Loans	6,883	6,883	3,150	0	3,733	0
Debentures	15,000	15,000	0	0	10,000	5,000
Total Financial Liabilities	32,904	32,904	14,171	0	13,733	5,000

Group 2008	Statement of Financial Position	Total Contractual Cash Flows	0-12 months	1-2 Years	2-5 years	> 5 Years
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Trade and Other Payables	11,879	11,879	11,879	0	0	0
Bank Loans	7,733	7,733	4,000	0	3,733	0
Debentures	20,000	20,000	5,000	0	6,000	9,000
Total Financial Liabilities	39,612	39,612	20,879	0	9,733	9,000

Market Risk

The Group enters into derivative financial instruments to manage interest rate risk. A Treasury committee, headed by senior management personnel, provides oversight for risk management and derivatives activities and ensures any activities comply with the Treasury Management Policy which is formally approved by Council as part of the Council's Long Term Council Community Plan (LTCCP).

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk from its interest-earning financial assets and interest-bearing liabilities. The Group is risk averse and seeks to minimise exposure from its treasury activities. It does not undertake unnecessary investment or borrowing activity, nor is any speculation permitted in the activity it undertakes.

The Group manages its interest rate risk by maintaining the ratio of borrowing between fixed and floating interest rates and by maintaining portions of its borrowings in a range of maturity profiles.

The effective interest rates of financial instruments are as follows:

Council 2007/08 Actual %	Group 2007/08 Actual %		Council 2008/09 Actual %	Group 2008/09 Actual %
WEIGHTED EFFECTIVE INTEREST RATES				
0.00%	9.16%	Bank Overdraft	0.00%	3.35%
9.08%	9.08%	Bank Loan	4.25%	6.51%
9.08%	9.08%	Debentures	3.01%	3.01%
7.00%	8.00%	Derivative financial instruments	6.51%	6.61%

Interest Rate Sensitivity

At balance date the Group had fixed interest rate liabilities in the form of interest rate swaps. If interest rates at that date had been 100 basis points higher/lower with all other variable held constant, post tax profit for the year would have adjusted by the amounts in the table below:

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
		Post Tax Profit Higher/(Lower)		
29	37	+ 100 Basis Points	2,696	2,696
(29)	(37)	- 100 Basis Points	(2,640)	(2,640)

Note 30 : NZ Transport Agency Statement

Council 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s
	Revenue from:		
2,727	In-House Professional Services for NZTA Financially assisted works	2,646	3,019
136	Other Activities	171	245
2,863	Total works performed	2,817	3,264
3,256	Total operating costs	2,872	3,021
(393)	Net Surplus/(Deficit) on operations	(55)	243

Note 31 : Borrowing Costs Capitalised

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
193	193	Sewer	0	0	0
193	193	Total borrowing costs capitalised	0	0	0

The capitalisation rate used to determine borrowing costs eligible for capitalisation varied from 2.98% to 4.25% (2008 to 7.92% to 9.24%).

Note 32 : Commitments

Council 2009	Total \$000s	0-12 months \$000s	1-5 Years \$000s
Capital Commitments - Approved and Contracted	17,025	17,025	0
Operational Contract Commitments - Approved and Contracted ¹	10,379	7,063	3,316
Total Commitments	27,404	24,088	3,316

Council 2008	Total \$000s	0-12 months \$000s	1-5 Years \$000s
Capital Commitments - Approved and Contracted	15,601	15,032	569
Operational Contract Commitments - Approved and Contracted	28,060	18,402	9,658
Total Commitments	43,661	33,434	10,227

¹ Note the amount of operational contract commitments is significantly less than last year due to a number of maintenance contracts expiring in 2009 which will be retendered in 2010.

Council leases computer equipment in the normal course of its business. Council purchases its computer equipment and sells back to the Lessor at fair value. Council then leases back the equipment at fair value and any profit or loss is recognised immediately. Council does not have an option to purchase the equipment at the end of the lease term. These leases have a non-cancellable term of 36 months.

Note 32A : Leases

Council 2009	Total \$000s	0-12 months \$000s	1-2 Years \$000s	2-5 Years \$000s
Operating Lease Payments	722	289	289	144
Total Non-Cancellable Operating	722	289	289	144

Council 2008	Total \$000s	0-12 months \$000s	1-2 Years \$000s	2-5 Years \$000s
Operating Lease Payments	730	292	292	146
Total Non-Cancellable Operating	730	292	292	146

Council leases its residential property assets to tenants. The terms of each tenancy are governed by the Residential Tenancies Act 1986. Rent is charged at less than market value. The leases are cancellable by the tenants and this is provided by the Residential Tenancies Act, a minimum notice period of 21 days applies or if cancelled by Council 90 days notice is required.

The future aggregate minimum lease payments to be received under operating leases are as follows:

Note 32B : Residential Lease

Council 2009	Total \$000s	0-12 months \$000s	1-2 Years \$000s	2-5 Years \$000s
Operating Lease Commitments	40	40	0	0
Total Operating Lease Commitments	40	40	0	0

Council 2008	Total \$000s	0-12 months \$000s	1-2 Years \$000s	2-5 Years \$000s
Operating Lease Commitments	39	39	0	0
Total Operating Lease Commitments	39	39	0	0

Note 33 : Contingent Liabilities

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
100	100	Paokahu Consent Bond	0	100	100
100	100		0	100	100

Paokahu Consent Bond

As a condition of the Paokahu landfill resource consent the council entered into a bond with the Paokahu owners for the sum of \$100,000, this acts as security for the performance of any of the conditions of the resource consent, including any conditions relating to aftercare and post closure remediation.

Building Act Claims

The Building Act 2004 imposes certain obligations and liabilities on local authorities in respect to the issue of building consents and inspection of work done. At the date of this report, there is one matter under that Act indicating potential liabilities which cannot be quantified.

RiskPool Liability

Council is a member of RiskPool. RiskPool is a mutual fund set up to provide public liability and professional indemnity cover for its members. All Councils with responsibilities under the Building Act have been impacted by the weather-tight homes building issue.

RiskPool is unable to determine its liabilities until the statutory period for claims to be lodged with member councils has passed. This is 5 years.

The latest information indicates that weather-tight homes claims against RiskPool's funds will potentially result in shortfalls in the fund being incurred this year and for future years.

Council as a member is required to contribute towards any shortfall in the fund. Council is unable at this time to quantify what its contribution will be towards future years. \$64,906 has been provided for in this year's accounts for the years up to 30 June 2004.

Defined Benefit Scheme

Council is a participating employer in the DBP contributors scheme ("the scheme"), which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the scheme, Council could be responsible for the entire deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, Council could be responsible for an increased share of the deficit.

The actuary of the scheme has recommended the employer contribution remain at 1.0 times contributor's contributions until the past service deficit is extinguished and then reduces to the employer contribution rate required to meet the net future service liability after that. The 1.0 is inclusive of specified superannuation contribution withholding tax.

34 Related Party Transactions

Relationship With Gisborne Holdings Ltd

Gisborne Holdings Ltd (GHL) is 100% owned by Gisborne District Council (GDC). The Gisborne District Council is, through GHL, a 100% shareholder in Tauwhareparae Farms Ltd. The Eastland Community Trust (ECT) purchased the port assets and this business now operates as Eastland Port Ltd.

The investment by GHL in subsidiaries comprises a 100% interest in Tauwhareparae Holdings Ltd. Tauwhareparae Holdings Ltd in turn has a 100% interest in Tauwhareparae Forests Ltd and a 100% interest in Tauwhareparae Farms Ltd. Tauwhareparae Holdings Ltd and Tauwhareparae Forests Ltd are non-trading entities. Tauwhareparae Farms Ltd is involved in the ownership and operation of farming activities.

All subsidiaries have a 30 June balance date.

Gisborne Holdings Ltd and Subsidiaries	2008	2009
	\$000	\$000
Services provided by Council	75	76
Accounts receivable to Council	0	0
Accounts payable by Council	0	0
Services provided to Council	0	0

All the above services were provided on normal terms and conditions of trade. Figures for services provided are shown exclusive of GST. Balance sheet items are GST inclusive. All balances have been eliminated on consolidation.

Key Management Personnel Compensation	2008	2009
	\$000	\$000
Salaries and Other Short Term Employee Benefits	1,273	1,324

Key management personnel include the Mayor, Councillors, Chief Executive and other Senior Management personnel.

35 Remuneration and Severance Payments

During the year to 30 June 2009, the total remuneration received by or payable to the Mayor, other Councillors and Chief Executive of the Council were as follows:

	Total Remuneration	
	2008	2009
M Foon, Mayor	\$89,291	\$90,365
N Aston, Deputy Mayor	\$31,695	\$33,217
J C Bauld	\$36,646	\$33,717
W S Burdett	\$43,680	\$30,450
A Cranston	\$28,261	\$27,681
A Davidson	\$34,506	\$33,273
R Haisman	\$30,515	\$28,030
A Hall	\$19,422	\$27,681
H Hikawai	\$34,574	\$33,225
G Hope	\$28,712	\$27,681
A Poananga	\$36,470	\$28,126
P Seymour	\$38,310	\$33,221
K Sheldrake	\$29,425	\$28,198
G Thomson	\$32,213	\$33,217
M A Thorpe	\$10,812	\$0
B Wilson	\$30,716	\$29,717
LR McKenzie, Chief Executive	\$233,765	\$234,887

The total remuneration figures also include for the Mayor and Chief Executive the value of non-financial benefits.

Severance Payments

Three Severance payments totalling \$92,099 were made during the year (2008 \$ Nil).

36 Events After Balance Date

There are no events subsequent to balance date that materially affect these accounts.