

The Finances

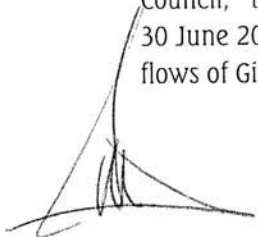
STATEMENT OF COMPLIANCE and RESPONSIBILITY

Compliance

1. The Council and management of Gisborne District Council confirm that all the statutory requirements of the Local Government Act 2002 have been complied with.
2. Gisborne Holdings Limited was not able to meet the requirements of Section 67 of the Local Government Act 2002.

Responsibility

3. The Council and management of Gisborne District Council accept responsibility for the preparation of the Annual Financial Statements and the judgements used in them.
4. The Council and management of Gisborne District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
5. In the opinion of the Council and management of Gisborne District Council, the Annual Financial Statements for the year ended 30 June 2007 fairly reflect the financial position, operations and cash flows of Gisborne District Council and its subsidiaries.



Meng Foon
Mayor



K D Birt
Manager: Corporate Affairs



L R McKenzie
Chief Executive

AUDIT REPORT
TO THE READERS OF
GISBORNE DISTRICT COUNCIL AND GROUP'S
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2007

The Auditor-General is the auditor of Gisborne District Council and group. The Auditor-General has appointed me, Marcus Henry, using the staff and resources of Ernst & Young, to carry out an audit on his behalf. The audit covers the Gisborne District Council's compliance with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of the Gisborne District Council and group for the year ended 30 June 2007, including the financial statements.

Unqualified Opinion

In our opinion:

- The financial statements of the Gisborne District Council and group on pages 9 to 52:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Gisborne District Council and group's financial position as at 30 June 2007; and
 - the results of their operations and cash flows for the year ended on that date.
- The service provision information of the Gisborne District Council and group on pages 53 to 95 fairly reflects the levels of service provision as measured against the intended levels of service provision adopted, as well as the reasons for any significant variances, for the year ended on that date; and

- The Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (the "other requirements")

The audit was completed on 31 October 2007, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and the other requirements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and the other requirements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and the other requirements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the other requirements.

We evaluated the overall adequacy of the presentation of information in the financial statements and the other requirements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Gisborne District Council and group as at 30 June 2007. They must also fairly reflect the results of their operations and cash flows and the levels of service provision for the year ended on that date. The Council is also responsible for meeting the other requirements of Schedule 10 and including that information in the annual report. The Council's responsibilities arise from Section 98 and Schedule 10 of the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements, performance information and the other requirements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit and in conducting the audit of the Long Term Council Community Plan and amendments thereto, we have no relationship with or interests in the Gisborne District Council or any of its subsidiaries.



Marcus P Henry
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

INCOME STATEMENT

for the year ended 30 June 2007

	NOTES	GDC			GROUP	
		ACTUAL 2006 \$000	ACTUAL 2007 \$000	BUDGET 2007 \$000	ACTUAL 2006 \$000	ACTUAL 2007 \$000
Revenue						
Government Grants and Subsidies	3	20,286	20,312	21,477	20,322	20,330
Rates Levied		35,131	37,114	37,012	35,073	37,051
Other Revenue	5	10,343	12,784	11,928	14,166	16,052
Other Gains / (Losses)	6	351	860	0	185	(174)
		66,111	71,070	70,417	69,746	73,259
Expenditure						
Democratic Process		1,292	1,531	1,279	1,292	1,531
Policy and Facilitation		2,372	2,047	2,126	2,372	2,047
Asset Management Unit		41,284	45,994	40,058	41,284	45,994
Environmental and Sustainable Management		6,427	6,137	6,245	6,427	6,137
Business and Community Units		3,601	3,438	3,437	6,856	6,922
Support Services		6,305	7,564	7,470	6,305	7,564
Total Cost of Service*		61,281	66,711	60,615	64,536	70,195
Opening Surplus Before Tax		4,830	4,359	9,802	5,210	3,064
Taxation		0	0	0	(217)	(22)
Surplus After Tax		\$4,830	\$4,359	\$9,802	\$4,993	\$3,042

* Total Cost of Service includes the following:

- ▶ Finance Costs \$1,265,000 (2006 : \$1,952,000) - Refer Note 9.
- ▶ Impairment Loss – Discontinued Asset \$4,895,032 (2006 : Nil) Refer Note 35. Mander Road Landfill.

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

BALANCE SHEET

as at 30 June 2007

	NOTES	GDC			GROUP	
		ACTUAL 2006 \$000	ACTUAL 2007 \$000	BUDGET 2007 \$000	ACTUAL 2006 \$000	ACTUAL 2007 \$000
Non Current Assets						
Trade and Other Receivable	12	700	1,146	533	700	1,146
Property, Plant and Equipment	18	1,478,025	1,709,494	1,429,902	1,513,678	1,744,967
Intangible Assets	21	302	486	0	302	486
Biological Assets - Forestry	20	708	1,052	0	2,339	3,472
Biological Assets – Livestock	19	0	0	0	7,906	6,206
Investments	22	20,866	20,299	20,799	296	305
Deferred Tax	10	0	0	0	119	110
Total Non Current Assets		1,500,601	1,732,477	1,451,234	1,525,340	1,756,692
Current Assets						
Cash and Cash Equivalents	11	3,316	1,534	287	3,537	1,782
Trade and Other Receivables	12	8,002	8,947	8,894	8,093	9,099
Inventories	13	118	201	103	161	231
Current Investments		3,000	995	2,000	3,000	995
Derivative Financial Instruments	14	0	629	0	0	629
Non-Current Assets Held for Sale	15	2,143	1,879	0	2,143	1,879
Total Current Assets		16,579	14,185	11,284	16,934	14,615
TOTAL ASSETS		\$1,517,180	\$1,746,662	\$1,462,518	\$1,542,274	\$1,771,307
LIABILITIES and EQUITY						
Non-Current Liabilities						
Borrowings	28	30,000	14,000	36,021	31,733	17,733
Provision for Landfill Aftercare	24	714	1,350	449	714	1,350
Provision for Landfill Decommission	25	6	6	6	6	6
Non-Current Employee Benefit Liabilities						
Liabilities	27	188	106	193	188	106
Deferred Tax Liability	10	0	0	0	147	168

GISBORNE DISTRICT COUNCIL
Annual Report 2006 – 2007

	NOTES	GDC			GROUP	
		ACTUAL 2006 \$000	ACTUAL 2007 \$000	BUDGET 2007 \$000	ACTUAL 2006 \$000	ACTUAL 2007 \$000
Total Non-Current Liabilities		30,908	15,462	36,669	32,788	19,363
Current Liabilities						
Deposits Held		112	345	0	112	345
Bank Overdraft	11	0	0	0	1,310	60
Trade and Other Payables	23	8,823	8,678	8,160	9,101	9,003
Current Portion of Public Debt	28	0	10,000	0	0	10,000
Employee Benefit Liabilities	27	2,248	2,398	0	2,340	2,435
Provision for Landfill Aftercare	24	85	117	0	85	117
Derivative Financial Instruments	14	49	0	0	49	0
Other Current Provisions	26	202	0	0	202	0
Total Current Liabilities		11,519	21,538	8,160	13,199	21,960
TOTAL LIABILITIES		42,427	37,000	44,829	45,987	41,323
Equity	29	1,474,753	1,709,662	1,417,689	1,496,287	1,729,984
TOTAL EQUITY and LIABILITIES		\$1,517,180	\$1,746,662	\$1,462,518	\$1,542,274	\$1,771,307

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

Authorised for and on behalf of Gisborne District Council on 31 October 2007.

Meng Foon
MAYOR

L R McKenzie
CHIEF EXECUTIVE

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2007

	NOTES	GDC			GROUP	
		ACTUAL 2006 \$000	ACTUAL 2007 \$000	BUDGET 2007 \$000	ACTUAL 2006 \$000	ACTUAL 2007 \$000
Equity at Start of Year		1,399,809	1,474,753	1,407,887	1,419,234	1,496,287
Net Surplus for the Year		4,830	4,359	9,802	4,993	3,042
Increase / Decrease in Asset Revaluation Reserves		70,009	230,311	(1,320)	71,955	230,416
Transfer to Retained Earnings Included in Revaluation Reserve Movement		105	239	1,320	105	239
Total Recognised Revenues and Expenses		74,944	234,909	9,802	77,053	233,697
Equity at End of Year		\$1,474,753	\$1,709,662	\$1,417,689	\$1,496,287	\$1,729,984
Equity is Made up as Follows:						
Special Funds		12,090	17,901	10,991	12,090	17,901
Accumulated Surplus		356,203	355,027	374,170	344,650	342,157
Asset Revaluation Reserves		1,106,224	1,336,535	1,032,625	1,139,311	1,369,727
Restricted Reserves		246	210	126	246	210
Reserve Funds		(10)	(11)	(223)	(10)	(11)
		\$1,474,753	\$1,709,662	\$1,417,689	\$1,496,287	\$1,729,984

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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2007

	NOTES	GDC			GROUP	
		ACTUAL 2006 \$000	ACTUAL 2007 \$000	BUDGET 2007 \$000	ACTUAL 2006 \$000	ACTUAL 2007 \$000
CASH FLOW FROM OPERATING ACTIVITIES						
Cash was Provided From:						
Government Grants and Subsidies		21,667	19,240	21,477	21,667	19,240
Activity Revenue		9,242	11,911	12,583	13,080	16,090
Rates		34,722	36,982	37,012	34,664	36,919
GST		0	0	0	0	23
Interest Received		424	405	126	430	412
Dividends		5	929	0	5	6
Income Tax Refund		0	0	0	2	2
		66,060	69,467	71,198	69,848	72,692
Cash was Applied to:						
Suppliers and Employees		43,012	47,123	45,217	45,957	50,016
Grants		788	1,110	0	788	1,110
GST		152	105	0	79	105
Interest Payable		1,837	1,779	2,293	2,112	2,092
		45,789	50,117	47,510	48,936	53,323
Net Cash from Operating Activities		20,271	19,350	23,688	20,912	19,369
CASH FLOW FROM INVESTING ACTIVITIES						
Cash was Provided From:						
Sale of Property Plant and Equipment		93	419	1,700	121	439
Proceeds from Sale of Investments		0	3,000	0	0	3,000
Redemption of Preference Shares		0	577	0	0	0
		93	3,996	1,700	121	3,439
Cash was Applied to:						
		14,790	17,725	21,912	15,060	17,517

	NOTES	GDC			GROUP	
		ACTUAL 2006 \$000	ACTUAL 2007 \$000	BUDGET 2007 \$000	ACTUAL 2006 \$000	ACTUAL 2007 \$000
Purchase of Property Plant and Equipment						
Purchase of Intangible Assets		92	402	0	92	402
Borrowing Cost Capitalised		513	239	0	513	549
Acquisition of Investments		3,000	995	0	3,000	995
Forestry Expenditure		0	0	0	174	83
		18,395	19,361	21,912	18,839	19,546
Net Cash Used in Investing Activities		(18,302)	(15,365)	(20,212)	(18,718)	(16,107)
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash was Provided From:						
Proceeds from Loans		0	0	0	0	2,000
Increase in Deposits Held		64	233	0	64	233
		64	233	0	64	2,233
Cash was Applied to:						
Repayment of Loan Principal		2,000	6,000	3,476	2,011	6,000
Hire Purchase Repayments		2	0	0	26	0
		2,002	6,000	3,476	2,037	6,000
Net Cash from / (used in) Financing Activities		(1,938)	(5,767)	(3,476)	(1,973)	(3,767)
Net Increase / (Decrease) in Cash		31	(1,782)	0	221	(505)
Cash						
Balance at Beginning of Year		3,285	3,316	287	2,006	2,227
Balance at End of Year		3,316	1,534	287	2,227	1,722
Increase / (Decrease) in Cash		\$31	(1,782)	\$0	\$221	(505)

The consolidated cash balance at the end of the year of \$1,722,000 (2006: \$2,227,000) comprises cash deposits of \$1,782,000 (2006: \$3,537,000) less bank overdrafts of \$60,000 (2006: \$1,310,000).

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Gisborne District Council (“GDC”) 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 GDC subsidiaries are incorporated in New Zealand.

The primary objective of GDC is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, GDC 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 2007. The financial statements were authorised for issue by Council on 31 October 2007.

Basis of Preparation

The financial statements of GDC and group financial statements have been prepared in accordance with the requirements of section 98 and Part 3 of Schedule 10 of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with the New Zealand equivalents to NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

This is the first set of financial statements prepared using NZ IFRS and comparatives for the year ended 30 June 2006 have been restated to NZ IFRS accordingly. Reconciliations of equity at 1 July 2005 and 30 June 2006 and net surplus/(deficit) and cash flows for the year ended 30 June 2006 under NZ IFRS to the balances reported in the 30 June 2006 financial statements are detailed in note 2.

The Accounting Policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS balance sheet as at 1 July 2005 for the purposes of the transition to NZ IFRS.

Measurement Base

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.

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

NZ IFRS 7 – Financial Instruments : Disclosures

Application of NZIFRS 7 is mandatory for reporting periods that begin on or after 1 January 2007, which for GDC, is the year commencing 1 July 2007. GDC has elected not to apply this standard early.

Application of this standard will result in only financial statement disclosure differences.

NZ IFRS 8 – Operating Segments

GDC has elected under the Public Benefit Entity exemption 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

GDC consolidates as subsidiaries in the group financial statements all entities where GDC 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 GDC controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by GDC 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.

GDC 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 GDC's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If GDC'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 income statement.

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/GDC transactions are eliminated on consolidation.

GDC's investment in its subsidiaries is carried at cost in GDC'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 GDC 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

GDC receives government grants from Land Transport New Zealand, which subsidises part of GDC'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 GDC 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 GDC has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of GDC'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 GDC 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 Income Statement, 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.

Cash Flows

The following definitions have been used for the preparation of the Statement of Cash Flows:

Cash and Cash Equivalents ▶ Cash includes cash on hand, deposits held at call with banks, other short term high liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Operating Activities ▶ Transactions and other events that are not investing or financial activities.

Investing Activities ▶ Activities relating to the acquisition, holding and disposal of property plant and equipment, and of investments, such as securities, not falling within the definition of cash.

Financing Activities ▶ Financing activities comprise the change in equity and debt capital structure of the Group.

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. GDC'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 GDC 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 Income Statement. In the event of impairment any cumulative losses previously recognised in equity will be removed and recognised in the Income Statement 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 Income Statement.

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 sheet date.

The Group does not satisfy all the conditions for hedge accounting and therefore all gains or losses in fair value of hedges are recognised through the Income Statement.

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 Income Statement.

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 GDC 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 Income Statement. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Income Statement will be recognised first in the Income Statement 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 GDC 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 Income Statement. 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 ▶ 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 ▶ 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 Income Statement. The costs to maintain the forestry assets are included in the Income Statement.

GDC 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 GDC 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 GDC's right to a share of the stumpage is reflected in the Balance Sheet.

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 income statement.

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 Income Statement. 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 Income Statement.

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.

Capitalisation of Interest ▶ When the construction of assets is loan funded, all interest incurred as a result of the capital work is capitalised as part of the total cost of the asset up until the point where the asset enters service.

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

25 – 100 years

Solid Waste

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

GDC 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 32.

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 Income Statement 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, GDC 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 GDC.

Waiaapu ▶ As operator of the Waiaapu landfill site, GDC 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 Waiaapu site is 35 years, from 30 June 2024.

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 GDC and published in the LTCCP. They have been prepared using the same accounting policies as are employed in preparing these financial statements.

Cost Allocation

Expenditure has been reported by function, to correspond with planning information already published in GDC's LTCCP. GDC believes this is more relevant to the user than reporting by the nature of the expense.

The Group's activities have been divided into:

- ▶ Democratic Process covers the cost of Councillor representation.
- ▶ Policy and Facilitation Unit includes Strategy and Policy, Maori liaison, and Economic Development.
- ▶ Asset Management Unit is Roading, Utilities, Solid Waste, Rivers and Drainage and Buildings.
- ▶ Environmental and Sustainable Management is Environmental Health, Consents and Construction Control, Planning, Animal Control, Conservation etc.
- ▶ Business and Community Units are Swimming Pools, Library, Airport, Holiday Camp, Vehicle Testing Station and Forestry. At a Group level this also includes the expenditure of GDC's subsidiaries.
- ▶ Support Services are, Human Resources, Information Technology, Accounting and Secretarial Services, Engineering and Works Administration and Senior Management.

GDC has derived the net cost of service for each significant activity of the Council using the cost allocation system outlined below.

Direct costs are charged directly to the significant activities. Indirect costs are charged to a service department and the total service department costs are charged on a pre-determined basis to each significant activity.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those which cannot be identified in an economically feasible manner with a specific activity.

Changes in Accounting Policies

Accounting policies have been changed to comply with NZ IFRS. All accounting policies have been applied on a consistent basis throughout the years presented.

2. EXPLANATION OF TRANSITION TO NZ IFRS

Transition to NZ IFRS

The Group's financial statements for the year ended 30 June 2007 are the first financial statements that comply with NZ IFRS. The Group has applied NZ IFRS 1 in preparing these financial statements.

The Group's transition date is 1 July 2005. The Group has prepared its opening NZ IFRS balance sheet at that date. The reporting date of these financial statements is 30 June 2007. The Group's NZ IFRS adoption date is 1 July 2006.

In preparing these consolidated financial statements in accordance with NZ IFRS 1, the Group has applied the mandatory exceptions and certain optional exemptions from full retrospective application of NZ IFRS.

Exemptions From Full Retrospective Application Elected by the Group

The Group has elected to apply the following optional exemptions from full retrospective application:

a. Business Combinations Exemption

The Group has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the 1 July 2005 transition date.

b. Fair Value as Deemed Cost Exemption

The Group has elected to measure library books at fair value as at 1 July 2005 and use that fair value as the deemed cost at that date.

The Group is required to make the following mandatory exception from retrospective application:

a. Estimates exception

Estimates under NZ IFRS at 1 July 2005 are consistent with estimates made for the same date under previous NZ GAAP.

Reconciliation of Equity

The following table on page 25 shows the changes in equity, resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 July 2005 and 30 June 2006.

Explanatory notes – Reconciliation of Equity

a. Investments

Investments in Companies were recognised at cost in the Balance Sheet under previous NZ GAAP. NZ IFRS requires these to be recognised in the Balance Sheet at their fair value.

b. Financial Derivatives

Financial derivatives were not recognised in the Balance Sheet under previous NZ GAAP. NZ IFRS requires financial derivatives to be recognised in the balance sheet at their fair value.

c. Intangible Assets

Computer Software ▶ Computer software was classified as part of property, plant and equipment under previous NZ GAAP. The net book value of computer software reclassified as an intangible asset on transition to NZ IFRS is \$310,230 and at 30 June 2006 is \$302,292.

d. Trade and Other Receivables

Community Loans ▶ Loans to community organisations were recorded at the original loan amount of \$114,814 under previous NZ GAAP. NZIFRS requires loans at nil or below market interest rates to be recognised at the present value of their expected future cash flow, discounted at the current rate of return for a similar asset investment.

The effect of this has been a reduction in the receivable carrying amount to \$11,410.

e. Biological Assets

Livestock was recorded at current market value under previous NZ GAAP. NZ IFRS requires biological assets to be recognised in the Balance Sheet at their fair value less point of sale costs.

f. Forestry Assets

Forestry assets were previously included in Property, Plant and Equipment under NZ GAAP. Under NZIFRS they are treated as separate assets. Changes in the fair value of forestry assets were previously recorded through revaluation reserves under NZ GAAP. Valuation changes are now recorded through the Income Statement under NZ IFRS. Previously fair value was determined based on the present value of expected net cash flows discounted using a post-tax discount rate.

Fair value is now determined based on the present value of expected net cash flows discounted using a pre-tax discount rate under NZ IFRS. This has not resulted in a change in value of the forestry assets on transition.

g. Financial Guarantees

Financial guarantees were not required to be recognised under previous NZ GAAP, but instead disclosed as a contingent liability. NZ IAS 39 requires financial guarantees to be recognised at their fair value based on the probability the Group will be required to reimburse a holder for a loss incurred discounted to present value. The portion that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability. The value of financial guarantees recognised on transition to NZ IFRS is \$NIL and at 30 June 2006 is \$NIL.

h. Sick Leave

Sick leave was not recognised as a liability under previous NZ GAAP. NZ IAS 19 requires the Group to recognise employees unused sick leave entitlement that can be carried forward at balance date, to the extent that the Group anticipates it will be used by staff to cover future absences.

i. Long Service Leave

Long Service Leave was recognised under previous NZ GAAP but NZ IAS 19 requires the Group to recognise employees present value of likely future entitlements to long service leave based on years of service, years to entitlement and the likelihood that staff will reach entitlement.

j. Retirement Leave

Retirement Leave was recognised under previous NZ GAAP but NZ IAS 19 requires the Group to recognise the present value of employees' likely future entitlements to retirement leave based on years of service, years to entitlement and the likelihood that staff will reach entitlement.

k. Deferred Tax

Under SSAP 12 Accounting for Income Taxes, the deferred tax liability in relation to revalued assets was calculated based on the income tax effects that could crystallise if the asset was sold at its revalued carrying amount.

Although any capital gain on the sale of fixed assets would be non-taxable in most situations, any tax depreciation recovered on the sale of fixed assets would be subject to tax. Therefore, if fixed assets have been revalued above tax cost, the deferred tax liability would generally equal the tax effect of the accumulated tax depreciation claimed on the fixed assets.

Under NZ IAS 12, deferred tax on revalued assets is calculated based on the difference between the carrying value of an asset and the amount attributed to it for tax purposes. This method generally results in significantly larger deferred tax liabilities in relation to revalued assets.

l. Deemed Cost

GDC has applied the deemed cost exemption that is available under NZ IFRS 1, for the permanent collection and the general collection of library books.

This exemption allows GDC to measure an item of property, plant and equipment at its fair value, and use that fair value as its deemed cost on transition to NZ IFRS. The effect of this change is to transfer revaluation reserves attributed to library books of \$2,819,000 to retained earnings. There has been a reduction in the carrying amount to library books in applying this exemption under NZ IFRS 1 of \$2,083,000.

m. Forestry Revaluation Reserve

Forestry assets are now recognised at fair value through the Income Statement. The effect of this change is to transfer revaluation reserves attributed to Forestry assets of \$535,000 at 30 June 2005 to retained earnings.

n. Non-Current Assets Held for Sale

The Group previously classified some properties intended for resale within Property, Plant and Equipment under NZ GAAP. On transition to NZ IFRS and in accordance with NZ IFRS 5, these properties met certain conditions and have been reclassified as Non-Current Assets Held for Sale.

Reconciliation of Equity - GDC

		PREVIOUS NZ GAAP 1 JULY 2005 \$000	EFFECT ON TRANSITION TO NZ IFRS - 1 JULY 2005 \$000	NZ IFRS - 1 JULY 2005 \$000	PREVIOUS NZ GAAP 30 JUNE 2006 \$000	EFFECT ON TRANSITION TO NZ IFRS - 30 JUNE 2006 \$000	NZ IFRS 30 JUNE 2006 \$000
ASSETS							
Non-Current Assets							
Accounts Receivables		533		533	700		700
Property, Plant and Equipment	c,f,l,n	1,405,192	(231)	1,404,961	1,477,342	683	1,478,025
Intangible Assets	c	0	310	310	0	302	302
Biological Assets – Forestry	f,m	697	0	697	708	0	708
Investments	a	20,799	56	20,855	20,799	67	20,866
Total Non-Current Assets		1,427,221	135	1,427,356	1,499,549	1,052	1,500,601
Current Assets							
Cash and Cash Equivalents		3,285		3,285	3,316		3,316
Trade and Other Receivables	d	8,840	(103)	8,737	8,105	(103)	8,002
Inventories		102		102	118		118
Other Financial Assets		0		0	3,000		3,000
Non-Current Assets Held for Sale	n	917	911	1,828	2,143		2,143
TOTAL CURRENT ASSETS		\$13,144	\$808	\$13,952	\$16,682	(\$103)	\$16,579
TOTAL ASSETS		\$1,440,365	\$943	\$1,441,308	\$1,516,231	\$949	\$1,517,180

Reconciliation of Equity - GDC

		PREVIOUS NZ GAAP 1 JULY 2005 \$000	EFFECT ON TRANSITION TO NZ IFRS - 1 JULY 2005 \$000	NZ IFRS 1 JULY 2005 \$000	PREVIOUS NZ GAAP 30 JUNE 2006 \$000	EFFECT ON TRANSITION TO NZ IFRS - 30 JUNE 2006 \$000	NZ IFRS - 30 JUNE 2006 \$000
LIABILITIES							
Non-Current Liabilities							
Borrowings		30,000		30,000	30,000		30,000
Provisions – Landfill Aftercare		564		564	720		720
Employee Benefit Liabilities		226	(35)	191	223	(35)	188
Total Non-Current Liabilities		30,790	(35)	30,755	30,943	(35)	30,908
Current Liabilities							
Deposits Held		48		48	112		112
Trade and Other Payables		7,995	(1,671)	6,324	10,844	(2021)	8,823
Provisions		84		84	287		287
Employee Benefit Liabilities	h,i,j	0	1,897	1,897	0	2,248	2,248
Borrowings – Current Portion		2,002		2,002	0		0
Derivative Financial Instruments	b	0	389	389	0	49	49
TOTAL CURRENT LIABILITIES		10,129	615	10,744	11,243	276	11,519
TOTAL LIABILITIES		40,919	580	41,499	42,186	241	42,427
EQUITY							
Special Funds		10,147		10,147	12,090		12,090
Accumulated Surplus		352,764	593	353,357	355,265	938	356,203
Asset Revaluation Reserves	f,l,m,n	1,036,445	(230)	1,036,215	1,106,454	(230)	1,106,224
Restricted Reserves		146		146	246		246
Reserve Funds		(56)		(56)	(10)		(10)
TOTAL EQUITY ATTRIBUTABLE TO GDC		\$1,399,446	\$363	\$1,399,809	\$1,474,045	\$708	\$1,474,753

Reconciliation of Equity - Group

		PREVIOUS NZ GAAP 1 JULY 2005 \$000	EFFECT ON TRANSITION TO NZ IFRS - 1 JULY 2005 \$000	NZ IFRS 1 JULY 2005 \$000	PREVIOUS NZ GAAP 30 JUNE 2006 \$000	EFFECT ON TRANSITION TO NZ IFRS - 30 JUNE 2006 \$000	NZ IFRS 30 JUNE 2006 \$000
Non-Current Assets							
Accounts Receivable		533		533	700		700
Property, Plant and Equipment	c,f,l,n	1,438,804	(231)	1,438,573	1,511,183	2,495	1,513,678
Intangible Assets	c	0	310	310	0	302	302
Biological Assets - Forestry	f,m	2,156		2,156	4,151	(1,812)	2,339
Biological Assets – Livestock	e	8,301	(230)	8,071	8,141	(235)	7,906
Investments	d	75	183	258	101	195	296
Deferred Tax	k	0	251	251	0	119	119
Total Non-Current Assets		1,449,869	283	1,450,152	1,524,276	1,064	1,525,340
ASSETS							
Current Assets							
Cash and Cash Equivalents		3,356		3,356	3,537		3,537
Trade and Other Receivables	d	8,909	(103)	8,806	8,196	(103)	8,093
Inventories		213	1	214	161		161
Other Financial Assets		0		0	3,000		3,000
Non-Current Assets Held for Sale		917	911	1,828	2,143		2,143
TOTAL CURRENT ASSETS		13,395	809	14,204	17,037	(103)	16,934
TOTAL ASSETS		\$1,463,264	\$1,092	\$1,464,356	\$1,541,313	\$961	\$1,542,274

Reconciliation of Equity - Group

		PREVIOUS NZ GAAP 1 JULY 2005 \$000	EFFECT ON TRANSITION TO NZ IFRS - 1 JULY 2005 \$000	NZ IFRS 1 JULY 2005 \$000	PREVIOUS NZ GAAP 30 JUNE 2006 \$000	EFFECT ON TRANSITION TO NZ IFRS - 30 JUNE 2006 \$000	NZ IFRS 30 JUNE 2006 \$000
LIABILITIES							
Non-Current Liabilities - Borrowings		31,744		31,744	31,733		31,733
Provisions – Landfill Aftercare		564		564	720		720
Employee Benefit Liabilities	j	226	(35)	191	223	(35)	188
Deferred tax Liability		0		0	0	147	147
Total Non-Current Liabilities		32,534	(35)	32,499	32,676	112	32,788
Current Liabilities - Deposits Held		48		48	112		112
Trade and Other Payables		8,504	(1,671)	6,833	11,214	(2,113)	9,101
Bank Overdraft		1,350		1,350	1,310		1,310
Provisions	q	84		84	287		287
Employee Benefit Liabilities	h,l,i	0	1,897	1,897	0	2,340	2,340
Borrowings		2,022		2,022	0		0
Derivative Financial Instruments	b	0	389	389	0	49	49
TOTAL CURRENT LIABILITIES		12,008	615	12,623	12,923	276	13,199
TOTAL LIABILITIES		44,542	580	45,122	45,599	388	45,987
EQUITY							
Special Funds		10,147		10,147	12,090		12,090
Accumulated Surplus		342,218	(577)	341,641	345,178	(528)	344,650
Asset Revaluation Reserve	f,m,n	1,066,267	1089	1,067,356	1,138,210	1,101	1,139,311
Restricted Reserves		146		146	246		246
Reserve Funds		(56)		(56)	(10)		(10)
TOTAL EQUITY ATTRIBUTABLE TO GDC		\$1,418,722	\$512	\$1,419,234	\$1,495,714	\$573	\$1,496,287

Reconciliation of Surplus for the year ended 30 June 2006

	NOTE	GDC			GROUP		
		PREVIOUS NZ GAAP 1 JULY 2006 \$000	GDC EFFECT ON TRANSITION TO NZ IFRS 1 JULY 2006 \$000	NZ IFRS 1 JULY 2006 \$000	PREVIOUS NZ GAAP 30 JUNE 2006 \$000	EFFECT ON TRANSITION TO NZ IFRS 30 JUNE 2006 \$000	NZ IFRS 30 JUNE 2006 \$000
INCOME							
Government Grants and Subsidies	i	20,286		20,286	20,286	36	20,322
Rates Levied		35,131		35,131	35,073		35,073
Other Revenue		10,343		10,343	14,281	(115)	14,166
Other Gains / (Losses)	a,g,f	0	351	351	0	185	185
TOTAL INCOME		65,760	351	66,111	69,640	106	69,746
EXPENDITURE							
Cost of Democracy		1,292		1,292	1,292		1,292
Principal Advisory Unit		2,372		2,372	2,372		2,372
Asset Management Unit	c	41,283	1	41,284	41,283	1	41,284
Environmental and Sustainable Management	c	6,426	1	6,427	6,426	1	6,427
Business and Community Units	e,f	3,596	5	3,601	7,017	(161)	6,856
Support Services	b,c,d	6,306	(1)	6,305	6,306	(1)	6,305
TOTAL COST OF SERVICE		\$61,275	\$6	\$61,281	\$64,696	\$(160)	\$64,536
Operating Surplus / (Deficit) Before Tax		4,485	345	4,830	4,944	266	5,210
Income Tax Expense	h	0	0	0	0	(217)	(217)
Surplus / (Deficit) Before Tax		4,485	345	4,830	4,944	49	4,993
Attributable to - GDC		4,485	345	4,830	4,944	49	4,993
Minority Interest		0	0	0	0	0	0

Explanatory Notes - Reconciliation of Surplus

a. Forestry Valuation

Forestry valuation movements were previously debited or credited to the forestry revaluation reserve where there was a credit balance. NZ IFRS requires revaluation movements to be recognised in the income statement. This has resulted in \$11,000 increase in the Income Statement of GDC and \$10,000 in the Group.

b. Sick Leave Liability

This represents the decrease in the sick leave provision, which was not recognised under previous NZ GAAP.

c. Long Service Leave Liability

This represents the increase in the Long Service Leave provision, which was not recognised under previous NZ GAAP.

d. Retirement Leave Liability

This represents the decrease in the Retirement Leave provision, which was not recognised under previous NZ GAAP.

e. Library Books

Library book purchases for the Permanent Collection and the general collection are now capitalised and depreciated under NZ IFRS. Library book purchases were previously treated as expenses. This resulted in an increase in the depreciation expense and a decrease in other expenses.

f. Livestock Valuation

Livestock are valued at fair value less point of sale costs under NZ IFRS, purchases were previously expenses. Changes in the Fair Value of Livestock are now reflected in the Income Statement.

g. Interest Rate Swaps

Interest rate swaps were not recognised under previous NZ GAAP, these are recorded at fair value under NZ IFRS. This has resulted in a \$340,000 increase in the Income Statement of GDC.

h. Income Tax

Income tax has been calculated under NZ IAS 12.

i. Government Grants

Grant income received from the Ministry of Agriculture and Forestry has been separated out.

Reconciliation of Cash Flows for the year ended 30 June 2006

	NOTE	GDC			GROUP		
		PREVIOUS NZ GAAP 30 JUNE 2006 \$000	GDC EFFECT ON TRANSITION TO NZ IFRS 30 JUNE 2006 \$000	NZ IFRS 30 JUNE 2006 \$000	PREVIOUS NZ GAAP 30 JUNE 2006 \$000	GROUP EFFECT ON TRANSITION TO NZ IFRS 30 JUNE 2006 \$000	NZ IFRS 30 JUNE 2006 \$000
Cash Flow From Operating Activities							
Cash Provided from Operating Activities		66,060		66,060	69,848		69,848
Cash Applied to Operating Activities	b	45,964	(175)	45,789	49,109	(175)	48,936
Net Cash Flow from Operating Activities		20,096	(175)	20,271	20,739	(175)	20,912
Cash Flow from Investing Activities							
Cash Provided from Investing Activities		93		93	121		121
Cash Applied to Investing Activities		18,220	175	18,395	18,666	175	18,839
Net Cash Flow from Investing Activities b		(18,127)	175	(18,302)	(18,545)	175	(18,718)
Cash Flow from Financing Activities							
Cash Provided from Financing Activities		64		64	64		64
Cash Applied to Financing Activities		2,002		2,002	2,037		2,037
Net Cash Flow from Financing Activities		(1,938)	0	(1,938)	(1,973)	0	(1,973)
Net Increase / (Decrease) in Cash		31	0	31	221	0	221
Cash							
Balance at Beginning of Year		3,285		3,285	2,006		2,006
Balance at End of Year		3,316		3,316	2,227		2,227
Increase / (Decrease) in Cash	a	31	0	31	221	0	221

Explanatory Notes – Statement of Cash Flows

- The amount of cash and cash equivalents, including bank overdraft, has not increased under NZ IFRS.
- Library book purchases are now capitalised and depreciated under NZ IFRS. Library book purchases were previously expensed. This gave a decrease in cash applied to operating activities and an increase in cash applied to investing activities. There have been no other material adjustments to the Statement of Cash Flows for the year ended 30 June 2006, on transition to NZ IFRS.

3. GOVERNMENT GRANTS and SUBSIDIES

Revenue from Government grants and subsidies (and hence operating income) for GDC includes \$9,542,074 (2006 \$8,918,453) relating to grants received where the associated expenditure has been capitalised. Expenditure relating to these projects will be recognized (primarily as depreciation) over the life of the capitalised assets. There are no unfulfilled conditions and other contingencies attached to government grants recognised.

Cash flows from Government grants and subsidies (and hence operating cash inflows) for GDC includes \$8,678,351 (2006 \$8,620,710) with respect to these capital grants where the associated cash outflows are recognized 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.

The amount of government grants received by TFL during 2007 fell significantly due to the lower amount of eligible expenditure within the forestry activities.

4. OPERATING STATEMENT

Administration Department Operating Costs

The cost of Service Departments is recovered from rates funded departments using a number of different parameters. If a direct charge for service can be established then a direct charge is made. Then, if a robust methodology for charging the balance on a specific percentage can be determined, this percentage is used. If not then an organizational wide percentage is used which is as follows:

	2006	2007
Economic Development	0.82%	0.82%
Engineering and Works	61.01%	61.01%
Environment and Planning	32.64%	32.64%
Community Development	4.97%	4.97%
Rural Fires	0.56%	0.56%

5. OTHER REVENUE

	GDC			GROUP	
	ACTUAL 2006 \$000	ACTUAL 2007 \$000	BUDGET 2007 \$000	ACTUAL 2006 \$000	ACTUAL 2007 \$000
Activity Revenue	9,624	11,137	10,002	13,446	15,321
Interest	424	405	126	430	412
Dividends	5	929	1,500	5	6
Petroleum Tax	290	313	300	290	313
Livestock Revaluations	0	0	0	(5)	0
TOTAL OTHER REVENUE	\$10,343	\$12,784	\$11,928	\$14,166	\$16,052

6. OTHER GAINS / LOSSES

	GDC		GROUP	
	ACTUAL 2006 \$000	ACTUAL 2007 \$000	ACTUAL 2006 \$000	ACTUAL 2007 \$000
Gains on Changes in Fair Value of Forestry Assets	11	373	10	1,060
Loss on Changes in Fair Value of Livestock	0	0	(165)	(1,701)
Loss on Disposal of Property, Plant and Equipment	0	(84)	0	(104)
Gain on Changes in Fair Value of Interest Rate Swaps	340	678	340	678
Loss on Changes in Fair Value of Non-Current Receivables	0	(107)	0	(107)
TOTAL GAINS / (LOSSES)	\$351	\$860	\$185	\$(174)

7. EMPLOYEE BENEFIT EXPENSES

	GDC		GROUP	
	ACTUAL 2006 \$000	ACTUAL 2007 \$000	ACTUAL 2006 \$000	ACTUAL 2007 \$000
Salary and Wages	10,286	10,528	11,091	11,306
Defined Contribution Plans Expense	51	39	51	39
Increase / (Decrease) in Employee Benefit Liabilities	348	416	189	418
TOTAL EMPLOYEE BENEFIT EXPENSES	\$10,685	\$10,983	\$11,331	\$11,763

8. OTHER EXPENSES

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Debts Written Off				
Rates	91	88	91	88
Others	0	11	0	11
Change to Impairment of Receivables (Note 12)	235	10	235	10
Fees Paid to Auditors				
Audit Fee (including Expenses) : Ernst & Young	161	167	188	202
Audit Fee of NZ IFRS Transition	0	10	0	10
Audit Fee - LTCCP	72	42	72	42
Mayor, Councillors and Director's Fees	379	407	450	487
Rental / Operating Lease Costs	264	284	264	284
Depreciation	12,512	11,601	12,595	11,781
Amortisation	8	118	8	118
Donations	1	0	1	0
Total Cost of Finance Leases				
Principal	2	0	20	0
Interest	1	0	2	0
Insurance Premiums Paid	381	361	381	361
Ceremonies for the Public	22	13	22	13
Authorised Entertainment	11	16	11	16
Grants Made	822	1,116	822	1116
Subscriptions	55	97	55	97

9. FINANCE COSTS

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Interest Expense				
Interest on Bank / Debenture Borrowings	2,292	1,943	2,574	2,256
Fair Value (Gains) / Losses on Derivatives				
Interest Rate Swaps : Fair Value Hedges	(340)	(678)	(340)	(678)
TOTAL FINANCE COST	\$1,952	\$1,265	\$2,234	\$1,578

10. INCOME TAX CALCULATION

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Components of Tax Expense				
Current Tax Expense	-	-	-	-
Adjustments to Current Tax in Prior Years	-	-	-	-
Deferred Tax Expenses	-	-	145	-
Income Tax Expense	0	0	0	0
Relationship Between Tax and Accounting Profit				
Surplus / (Deficit) Before Tax	4,830	4,359	5,210	3,064
Tax at 33%	1,594	1,438	1,719	1,011
Net Non-Taxable and Non-Deductible Items	(1,951)	(1,454)	(1,979)	(704)
Tax Loss Not Recognised	357	16	477	16
Utilisation of Losses Brought Forward	0	0	0	(225)
Imputation Credits Utilised	0	0	0	(76)
Prior Year Adjustment	0	0	0	0
Tax Expense	\$0	\$0	\$217	\$22

Deferred Tax Assets / Liabilities

	Property, Plant & Equipment	Livestock	Forestry	Employee Entitlements	Tax Loss Recognised	Total
GDC						
Balance at 1 July 2005	-	-	-	-	-	-
Charged to Profit and Loss	-	-	-	-	-	-
Charged to Equity	-	-	-	-	-	-
Balance at 1 July 2006	-	-	-	-	-	-
Charged to Profit and Loss	-	-	-	-	-	-
Charged to Equity	-	-	-	-	-	-
Balance at 30 June 2007	\$-	\$-	\$-	\$-	\$-	\$-

	Property, Plant & Equipment	Livestock	Forestry	Employee Entitlements	Tax Loss Recognised	Total
Group						
Balance at 1 July 2005	(418)	(597)	(481)	8	1,621	133
Charged to Profit and Loss	8	(90)	(57)	(22)	(56)	(217)
Charged to Equity	(62)	-	-	-	(1)	(63)
Balance at 1 July 2006	(472)	(687)	(538)	(13)	1,564	(147)
Charged to Profit and Loss	(21)	371	(261)	4	(115)	(22)
Charged to Equity	(9)	-	-	-	10	1
Subtotal	(503)	(316)	(799)	(9)	1,459	(168)
Offset liability against deferred tax asset (losses)	503	316	799	9	(1,627)	-
Tax Loss not recognised (charge to equity)	-	-	-	-	168	168
Balance at 30 June 2007	\$-	\$-	\$-	\$-	\$-	\$-

Additional Disclosures

A deferred tax asset of \$1,906,990 has not been recognised in relation to unused tax losses for Council of \$6,356,632.

11. CASH and CASH EQUIVALENTS

	GDC		GROUP	
	ACTUAL 2006 \$000	ACTUAL 2007 \$000	ACTUAL 2006 \$000	ACTUAL 2007 \$000
Cash at Bank and in Hand	3,316	1,534	3,537	1,782
Short Term Deposits Maturing Three Months or Less From the Date of Acquisition	0	0	0	0
TOTAL CASH and CASH EQUIVALENTS	\$3,316	\$1,534	\$3,537	\$1,782

The carrying value of short-term deposits with maturity dates of three months or less approximate their fair value. Cash and bank overdrafts include the following for the purpose of the cash flow statement:

	GDC		GROUP	
	ACTUAL 2006 \$000	ACTUAL 2007 \$000	ACTUAL 2006 \$000	ACTUAL 2007 \$000
Cash at Bank and in Hand	3,316	1,534	3,537	1,782
Short Term Deposits Maturing Three Months or Less From the Date of Acquisition	0	0	0	0
Bank Overdrafts	0	0	(1,310)	(60)
	\$3,316	\$1,534	\$2,227	\$1,722

GDC held restricted cash of \$204,636 relating to grant money received from the Department of Internal Affairs for the Computer in Homes project. GDC holds the money in trust and administers project payments and grant income received. The Computers in Homes project is not a GDC activity and therefore GDC is not beneficially entitled to these funds. GDC has recognised these as deposits held under Current Liabilities.

12. TRADE and OTHER RECEIVABLES

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Rates Receivables	2,178	2,088	2,178	2,088
Government Subsidies	4,117	5,011	4,117	5,011
Community Loans	11	11	11	11
Other Debtors	2,843	3,368	2,934	3,520
Prepayments	38	110	38	110
	9,187	10,588	9,278	10,740
Less Provision for Impairment of Receivables	(485)	(495)	(485)	(495)
	8,702	10,093	8,793	10,245
Less Accounts Classified as Non-Current: Non Current Receivables	700	1,146	700	1,146
Total Non-Current Portion	700	1,146	700	1,146
Current Portion	\$8,002	\$8,947	\$8,093	\$9,099

The carrying value of trade and other receivables (excluding community loans) approximates their fair value. There is no concentration of credit risk with respect to receivables outside the group, as the group has a large number of customers.

As at 30 June 2007 and 2006, all overdue receivables had been assessed for impairment and appropriate provisions applied. GDC 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 GDC's pool of debtors. Expected losses have been determined based on an analysis of GDC's losses in previous periods, and review of specific debtors. Movements in the provision for impairment of receivables are as follows:

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
At 1 July 2006:	250	485	250	485
Charge for the Year	235	10	235	10
At 1 July 2007	\$485	\$495	\$485	\$495

GDC is Lessor to two Finance Leases which are recognised as Non-Current Receivables and therefore measured under IAS 17 and not IAS 39. The terms of the Agreement provide for repayment of the leases after 5 years. The fixed interest rates charged by GDC are less than market value. Upon repayment of the loans, title of the Plant Assets will be transferred to the Lessee, and the security interest held will be released.

GDC has categorised the Finance Leases as Loans and Receivables and initially recognised the Finance Leases at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset / investment. The Finance Leases are unsecured loans.

Finance Lease No. 1

Term 5 years. Interest Rate - fixed at 6.50% pa. Discount Rate - 8% pa.

Gross Investment	\$ 1,032,543
Less Discount	\$ <u>(36,168)</u>
Present Value of Minimum Lease Payments Receivable at 30 June 2007	\$ <u>996,375</u>
Not Later Than One Year	\$ 168,826
Later Than One Year and not Later Than Five Years	\$ 827,549
Later Than Five Years	\$ <u>0</u>
	\$ <u>996,375</u>

Finance Lease No. 2

Term 5 years. Interest Rate - fixed at 0% pa. Discount Rate - 8% pa.

Gross Investment	\$ 220,000
Less Discount	\$ (70,272)
Present Value of Minimum Lease Payments	\$ <u>149,728</u>
Receivable at 30 June 2007	

Not Later Than One Year	\$ 11,979
Later Than One Year and no Later Than Five Years	\$ 137,749
Later Than Five Years	\$ <u>0</u>
	\$ <u>149,728</u>

13. INVENTORIES

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Te Puia Cleaning Stock	1	1	1	1
Bushmere Road Stock	56	56	56	56
Rockpile	0	28	0	28
Olympic Pool Stock	17	14	17	14
Drainage Stock	11	10	11	10
Soil Conservation Stock	33	26	33	26
Timber	0	66	0	66
Farming Inventories	0	0	43	30
TOTAL INVENTORIES	\$118	\$201	\$161	\$231

No inventories have been pledged as security for liabilities.

14. DERIVATIVE FINANCIAL INSTRUMENTS

On 20 May 2004 GDC entered into forward rate interest swap agreements to fix interest rates for amounts and periods as follows:

\$10 million effective 1 August 2005 until 31 July 2007 at 6.87%.

\$7 million effective 2 August 2004 until 31 July 2009 at 6.80%

\$7 million effective 2 August 2004 until 31 July 2014 at 7.01%

During 2007 GDC undertook a further forward interest rate swap:

\$3.5 million effective 30 April 2008 until 30 April 2012 at 7.1%.

At 30 June 2007 the principal or contract amounts of interest rate contracts outstanding were:

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Interest Rate Swaps	24,000	24,000	24,000	24,000

The weighted average effective interest rate of the interest rate swaps was 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 Income Statement. The movement in fair value is shown below:

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Current Asset Portion				
Interest Rate Swaps	0	629	0	629
Current Liability Portion				
Interest Rate Swaps	49	0	49	0

15. NON-CURRENT ASSETS HELD FOR SALE

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Buildings	42	1	42	1
Land	2,101	1,878	2,101	1,878
	\$2,143	\$1,879	\$2,143	\$1,879

During 1996 and 1997 GDC 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 30 June 2005 on the adoption of IFRS. The property classified as "Current Assets Held for Sale" at 30 June 2007 comprises two groups of properties. Rural land sold under conditional sale and purchase agreements are expected to become unconditional and completed by 30 June 2008, and a property, previously classified as Land and Buildings, which is under unconditional contract with the sale to be completed by 30 June 2008. This reclassified property was a quarry and a block of rural land with fencing improvements.

16. BORROWING COSTS CAPITALISED

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Sewer	190	364	190	364
Stormwater	20	0	20	0
	\$210	\$364	\$210	\$364

The capitalisation rate used to determine borrowing costs eligible for capitalisation varied from 7.80% to 8.40% (2006 7.36% to 7.86%).

17. STATEMENT FOR LAND TRANSPORT NEW ZEALAND 2006/2007

	2006 ACTUAL \$000	2007 ACTUAL \$000	2007 BUDGET \$000
Roading Professional Services			
Operating Statement			
Revenue From:			
In-House Professional Services for Land Transport New Zealand	2,706	2,742	2,590
Other Activities	135	162	183
Total Works Performed	2,841	2,904	2,773
Total Operating Costs	2,334	2,404	2,532
Net Surplus / (Deficit) on Operations	\$507	\$500	\$241

18. PROPERTY, PLANT and EQUIPMENT

YEAR ENDED 30 JUNE 2007	GDC								
	COST / REVALUATION 2006 \$000	ACCUMULATED DEPRECIATION AND IMPAIRMENT 2006 \$000	CARRYING AMOUNT 2006 \$000	CURRENT YEAR ADDITIONS \$000	CURRENT YEAR DISPOSALS \$000	REVALUATION SURPLUS \$000	COST / REVALUATION 2007 \$000	ACCUMULATED DEPRECIATION AND IMPAIRMENT 2007 \$000	CARRYING AMOUNT 2007 \$000
Operational Assets									
Land	308,492	0	308,492	17	327	7,339	312,726	0	312,726
Buildings / Land Improvements	36,847	958	35,889	427	(43)	6,994	42,288	0	42,288
Buildings Not Revalued	1,435	390	1,045	158	0	0	1,594	425	1,169
Plant / Motor Vehicles	3,039	1,944	1,095	301	(259)	0	3,081	1,889	1,192
Office Equipment	2,251	1,511	740	334	0	0	2,987	1,844	1,143
Other Equipment	2,625	1,806	819	88	0	0	605	100	505
CBD	1,679	294	1,385	0	0	0	1,679	340	1,339
Wharves	1,242	29	1,213	0	0	0	1,242	54	1,188
Library Books - General	2,402	1,966	436	180	(171)	0	2,402	1,995	407
Library Books – Permanent	306	6	300	0	0	0	306	6	300
Assets Under Construction	13,080	0	13,080	(791)*	0	0	12,289	0	12,289
	\$373,398	\$8,904	\$364,494	\$714	\$(146)	\$14,333	\$381,199	\$6,653	\$374,546
Infrastructure Assets									
Sewer and Wastewater	40,857	969	39,888	0	(14)	2,144	41,049	0	41,049
Stormwater	37,077	562	36,515	0	0	2,931	38,885	0	38,885
Water Supply	75,296	1,246	74,050	0	0	6,816	79,621	0	79,621
Solid Waste	2,555	123	2,432	0	0	225	2,533	0	2,533
Roading	918,639	0	918,639	12,056	0	207,158	1,130,937	0	1,130,937
Flood Control	42,258	251	42,007	0	0	0	42,258	335	41,923
	1,116,682	3,151	1,113,531	12,056	(14)	219,274	1,335,283	335	1,334,948
TOTAL PROPERTY PLANT and EQUIPMENT	\$1,490,080	\$12,055	\$1,478,025	\$12,770	\$(160)	\$233,607	\$1,716,482	\$6,988	\$1,709,494

* Includes impairment of Mander Road Landfill

YEAR ENDED 30 JUNE 2006	GDC						
	CARRYING AMOUNT 1 JULY 2005 \$000	CURRENT YEAR ADDITIONS \$000	CURRENT YEAR DISPOSALS \$000	REVALUATION SURPLUS \$000	COST/ REVALUATION 30 JUNE 2006 \$000	ACCUMULATED DEPRECIATION AND IMPAIRMENT 30 JUNE 2006 \$000	CARRYING AMOUNT 30 JUNE 2006 \$000
Operational Assets							
Land	308,900	0	(327)	(81)	308,492	0	308,492
Buildings / Land Improvements	35,729	772	(100)	446	36,847	958	35,889
Buildings Not Revalued	1,062	18	0	0	1,435	390	1,045
Plant / Motor Vehicles	1,063	220	(62)	0	3,039	1,944	1,095
Office Equipment	696	187	(13)	0	2,251	1,511	740
Other Equipment	786	278	0	0	2,625	1,806	819
CBD	1,419	12	0	0	1,679	294	1,385
Wharves	674	554	0	0	1,242	29	1,213
Library Books - General	435	175	(87)	0	2,402	1,966	436
Library Books – Permanent	306	0	0	0	306	6	300
Assets Under Construction	20,261	0	(7,181)	0	13,080	0	13,080
	371,331	2,216	(7,770)	365	373,398	8,904	364,494
Infrastructure Assets							
Sewer	40,685	171	0	0	40,857	969	39,888
Stormwater	36,989	87	0	0	37,077	562	36,515
Water Supply	75,199	97	0	0	75,296	1,246	74,050
Solid Waste	2,539	16	0	0	2,555	123	2,432
Roading	836,126	20,414	0	69,736	918,639	0	918,639
Flood Control	42,092	0	0	0	42,258	251	42,007
	1,033,630	20,785	0	69,736	1,116,682	3,151	1,113,531
TOTAL PROPERTY PLANT and EQUIPMENT	\$1,404,961	\$23,001	\$(7,770)	\$70,101	\$1,490,080	\$12,055	\$1,478,025

Property, Plant and Equipment (continued)

YEAR ENDED 30 JUNE 2007	GROUP								
	COST / REVALUATION 2006 \$000	ACCUMULATED DEPRECIATION AND IMPAIRMENT 2006 \$000	CARRYING AMOUNT 2006 \$000	CURRENT YEAR ADDITIONS \$000	CURRENT YEAR DISPOSALS \$000	REVALUATION SURPLUS \$000	COST / REVALUATION 2007 \$000	ACCUMULATED DEPRECIATION AND IMPAIRMENT 2007 \$000	CARRYING AMOUNT 2007 \$000
Operational Assets									
Land	339,491	0	339,491	17	327	7,140	343,526	0	343,526
Buildings / Land Improvements	41,067	958	40,109	444	(43)	7,308	46,628	0	46,628
Buildings not Revalued	1,435	390	1,045	158	0	0	1,594	425	1,169
Plant / Motor Vehicles	3,879	2,367	1,512	364	(299)	0	3,521	2,013	1,508
Office Equipment	2,284	1,527	757	336	0	0	3,006	1,846	1,160
Other Equipment	2,625	1,806	819	88	0	0	605	100	505
CBD	1,679	294	1,385	0	0	0	1,679	340	1,339
Wharves	1,242	29	1,213	0	0	0	1,242	54	1,188
Library Books - General	2,402	1,966	436	180	(171)	0	2,402	1,995	407
Library Books – Permanent	306	6	300	0	0	0	306	6	300
Assets Under Construction	13,080	0	13,080	(791)	0	0	12,289	0	12,289
	409,490	9,343	400,147	796	(186)	14,448	416,798	6,779	410,019
Infrastructure Assets									
Sewer and Wastewater	40,857	969	39,888		(14)	2,144	41,049	0	41,049
Stormwater	37,077	562	36,515			2,931	38,885	0	38,885
Water Supply	75,296	1,246	74,050			6,816	79,621	0	79,621
Solid Waste	2,555	123	2,432			225	2,533	0	2,533
Roading	918,639	0	918,639	12,056		207,158	1,130,937	0	1,130,937
Flood Control	42,258	251	42,007			0	42,258	335	41,923
	1,116,682	3,151	1,113,531	12,056	(14)	219,274	1,335,283	335	1,334,948
TOTAL PROPERTY PLANT and EQUIPMENT	\$1,526,172	\$12,494	\$1,513,678	\$12,852	\$(200)	\$233,722	\$1,752,081	\$7,114	\$1,744,967

YEAR ENDED 30 JUNE 2006	GROUP						
	CARRYING AMOUNT 1 JULY 2005 \$000	CURRENT YEAR ADDITIONS \$000	CURRENT YEAR DISPOSALS \$000	REVALUATION SURPLUS \$000	COST / REVALUATION 30 JUNE 2006 \$000	ACCUMULATED DEPRECIATION AND IMPAIRMENT 30 JUNE 2006 \$000	CARRYING AMOUNT 30 JUNE 2006 \$000
Operational Assets							
Land	339,665	0	(327)	153	339,491	0	339,491
Buildings / Land Improvements	38,093	772	(100)	2,302	41,067	958	40,109
Buildings Not Revalued	1,062	18	0	0	1,435	390	1,045
Plant / Motor Vehicles	1,539	220	(62)	0	3,879	2,367	1,512
Office Equipment	705	208	(13)	0	2,284	1,527	757
Other Equipment	786	278	0	0	2,625	1,806	819
CBD	1,419	12	0	0	1,679	294	1,385
Wharves	674	554	0	0	1,242	29	1,213
Library Books - General	435	175	(87)	0	2,402	1,966	436
Library Books – Permanent	306	0	0	0	306	6	300
Assets Under Construction	20,261	0	(7,181)	0	13,080	0	13,080
	404,945	2,237	(7,770)	2,455	409,490	9,343	400,147
Infrastructure Assets							
Sewer	40,685	171	0	0	40,857	969	39,888
Stormwater	36,989	87	0	0	37,077	562	36,515
Water Supply	75,199	97	0	0	75,296	1,246	74,050
Solid Waste	2,539	16	0	0	2,555	123	2,432
Roading	836,124	20,414	0	69,736	918,639	0	918,639
Flood Control	42,092	0	0	0	42,258	251	42,007
	1,033,630	20,785	0	69,736	1,116,682	3,151	1,113,531
TOTAL PROPERTY PLANT and EQUIPMENT	\$1,438,573	\$23,022	\$(7,770)	\$72,191	\$1,526,172	\$12,494	\$1,513,678

Flood Control ▶ The flood asset valuation was last undertaken at 1 July 2003 by Gary Williams of G & E Williams Limited. The flood valuation as at 1 July 2003 has a fair value of \$42,202,000.

The following asset classes have been revalued this year:

Land and Buildings ▶ Freehold land and improvements of GDC (including buildings) was valued as at 30 June 2007 by Bruce Cowper, an independent Valuer of AgFirst Valuations Ltd on 3 August 2007. The fair value of buildings including properties held for resale, amounted to \$42,265,390 and the fair value of land amounted to \$312,722,000.

Freehold Land (including forestry land) and improvements (including buildings) for Tauwhareparae Farms Limited were valued as at 30 June 2007 by Bruce Cowper, an independent valuer of Agfirst Valuations Ltd. The fair value of land and improvements was \$35,125,000.

Airport Assets ▶ Airport infrastructure assets (included in land and buildings) were valued at 30 June 2007 by Graeme Hughson, an independent Valuer of Maunsell Limited. The fair value of airport infrastructure assets amounted to \$4,706,890 with the valuation dated 9 July 2007.

Roading Assets ▶ The roading asset valuation was undertaken at 30 June 2007 by Michelle Walker, an independent Valuer of MWH Limited, Christchurch. The roading asset valuation as at 30 June 2007 is dated July 2007 with a fair value of \$1,130,936,988.

Sewer and Wastewater ▶ The sewer and wastewater asset valuation was undertaken at 30 June 2007 by John Vessey, an independent Valuer of Opus International Consultants, Wellington. The sewer and wastewater valuation as at 30 June 2007 is dated 10 August 2007 with a fair value of \$41,049,393.

Stormwater ▶ The stormwater asset valuation was undertaken at 30 June 2007 by John Vessey of Opus International Consultants Wellington. The stormwater valuation as at 30 June 2007 is dated 10 August 2007 with a fair value of \$38,884,590.

Water Supply ▶ The water supply asset valuation was undertaken at 30 June 2007 by John Vessey of Opus International Consultants Ltd, Wellington. The water supply valuation as at 30 June 2007 is dated 10 August 2007 with a fair value of \$79,621,111.

Solid Waste ▶ The solid waste asset valuation was undertaken at 30 June 2007 by John Vessey of Opus International Consultants Ltd, Wellington. The solid waste valuation as at 30 June 2007 is dated 10 August 2007 with a fair value of \$2,533,238.

Assets Under Construction

Consist of:

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Computer Equipment	25	0	25	0
Buildings / Land Improvements	328	1,211	328	1,211
Sewer and Wastewater	3,063	3,347	3,063	3,347
Stormwater	871	2,204	871	2,204
Water Supply	38	346	38	346
Solid Waste	4,419	212	4,419	212
Roading	3,975	4,359	3,975	4,359
Flood Control	361	610	361	610
	\$13,080	\$12,289	\$13,080	\$12,289

Sewer and Wastewater ▶ Assets under construction includes \$3.575 million for the new Wastewater treatment project which is planned to commence during the 2009-2010 financial year.

Roading ▶ Assets under construction includes \$4.359 million for Regional Development Roothing.

19. BIOLOGICAL ASSETS – LIVESTOCK

Biological Assets consist of sheep and cattle (Livestock).

The Group farms livestock for the sale of sheep, lambs, cattle and calves.

As at 30 June 2007 the Group had 37,489 sheep, 5,358 cattle. (2006: 42,455 sheep, and 6,123 cattle.)

During the year the Group sold 46,143 sheep, 2,960 cattle. (2006 : 46,693 sheep, 1,514 cattle.)

A. Reconciliation of Opening Balance to Closing Balance - 2007

	Sheep		Cattle		Total
	Quantity	\$000	Quantity	\$000	
GROUP					\$000
Opening Balance as at 1 July	42,455	3,784	6,123	4,122	7,906
Natural Increase	45,090	1,623	2,399	1,204	2,827
Purchases	149	89	30	99	188
Changes in Fair Value	-	(711)	-	184	(527)
Sales	(46,143)	(1,951)	(2,960)	(1,771)	(3,722)
Deaths and Killed	(4,062)	(277)	(234)	(189)	(466)
Closing Balance as at 30 June	37,489	\$2,557	5,358	\$3,649	\$6,206

Reconciliation of Opening Balance to Closing Balance - 2006

	Sheep		Cattle		Total
	Quantity	\$000	Quantity	\$000	
Opening Balance as at 1 July	47,564	4,513	5,549	3,558	8,071
Natural Increase	46,105	2,997	2,330	1,781	4,778
Purchases	110	74	68	82	156
Changes in Fair Value	0	(1,144)	0	(7)	(1,151)
Sales	(46,693)	(2,233)	(1,514)	(1,045)	(3,278)
Deaths and Killed	(4,631)	(423)	(310)	(247)	(670)
Closing Balance as at 30 June	42,455	\$3,784	6,123	\$4,122	\$7,906

B. The Fair Value of Biological Assets as at End of Year was:

Consumable Biological Assets ▶ LIVESTOCK

SHEEP	2007		2006	
	Quantity	\$000	Quantity	\$000
Mature Sheep				
Mixed Age Ewes	22,042	1,499	20,159	1,843
Two Tooth Ewes	8,335	650	11,018	1,231
Mixed Age Wethers	-	-	96	3
Breeding Rams	293	23	441	34
Immature Sheep				584
Ewe Hoggets	6,355	368	8,972	
Ram and Wether Hoggets	464	17	1,769	89
TOTAL SHEEP	37,489	\$2,557	42,455	\$3,784

CATTLE	2007		2006	
	Quantity	\$000	Quantity	\$000
Mature Cattle				
Mixed Age Cows	1,641	1,282	1,871	1,456
Rising Three Year Heifers	667	583	567	484
Rising Two Year Heifers	1,156	694	1,091	670
Rising Three Year and Older Steers	1	1	172	6
Rising Two Year Steers and Bulls	59	43	8	128
Breeding Bulls	99	176	94	167
Immature Cattle				
R1 Heifers	941	414	1,169	550
R1 Steers and Bulls	794	456	1,151	661
TOTAL CATTLE	5,358	\$3,649	6,123	\$4,122

C. Cost of Sales and Gross Profit

BIOLOGICAL ASSETS

LIVESTOCK	Quantity	Average Price \$	2007 \$000	Quantity	Average Price \$	2006 \$000
Sheep Sales	46,143	42	1,951	46,693	48	2,233
Less Cost of Sales						
Opening Stock	42,455	89	3,784	47,564	95	4,513
Add Purchases	149	597	89	110	675	74
Less Closing Stock	37,489	68	2,557	42,455	89	3,783
Total Cost of Sales			1,316			804
Gross Profit from Sheep			635			1,429

LIVESTOCK	Quantity	Average Price \$	2007 \$000	Quantity	Average Price \$	2006 \$000
Cattle						
Sales	2,960	598	1,771	1,514	690	1,045
Less Cost of Sales						
Opening Stock	6,123	673	4,123	5,549	641	3,558
Add Purchases	30	3,302	99	68	1,200	83
Less Closing Stock	5,358	681	3,649	6,123	673	4,123
Total Cost of Sales			573			(482)
Gross Profit from Cattle			\$1,198			\$1,527

The fair value of livestock is determined by independent valuation as at 30 June 2007. The independent livestock valuation was performed by Williams and Kettle Limited, 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 Income Statement in the year of harvest. At time of harvest, wool is recorded as inventory.

20. BIOLOGICAL ASSETS - FORESTRY

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Balance at 1 July	697	708	2,155	2,339
Increases due to Purchases	0	0	174	102
Gains / (Losses) Arising from Changes in Fair Value Less Estimated Point of Sale Costs Attributable to Price Changes	11	373	10	1,060
Decreases Due to Sales				
Decreases Due to Harvest		(29)		(29)
Balance at 30 June	\$708	\$1,052	\$2,339	\$3,472

One forest has been harvested during the period (2006 nil).

GDC's Forestry Holdings have been valued by Theo Vos, NZ Institute of Forestry Registered Forestry Consultant, of PF Olsen and Company Limited. A pre-tax discount rate of 8.3% has been used in discounting the present value of expected cash flows (2006 : 9.6%).

The valuation of the Pamoā forestry assets as at 30 June 2007 is dated 11 July 2007 with a net current valuation of \$572,000.

The valuation of the GDC's forestry assets as at 30 June 2007 is dated 11 July 2007 with a net current valuation of \$466,000.

Tauwhareparae Forests Limited

The fair value of the forest tree crop is determined by independent valuation. Independent forestry valuation as at 30 June 2007 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 (pre-tax)	8.0%
Rate of Inflation	3.0%
Rate of Tax	33%

During the year \$101,997 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.

21. INTANGIBLE ASSETS

Intangible Assets ▶ GDC: 2007

	GDC							
	COST 1 JULY 2006 \$000	ACCUMULATED AMORTISATION AND IMPAIRMENT 1 JULY 2006 \$000	OPENING CARRYING AMOUNT 1 JULY 2006 \$000	2007 ADDITIONS \$000	CURRENT YEAR DISPOSALS \$000	COST 30 JUNE 2007 \$000	ACCUMULATED AMORTISATION AND IMPAIRMENT 30 JUNE 2007 \$000	CLOSING CARRYING AMOUNT 30 JUNE 2007 \$000
Computer Software	402	100	302	301	0	703	217	486

Intangible Assets ▶ Group: 2007

	GROUP							
	COST 1 JULY 2006 \$000	ACCUMULATED AMORTISATION AND IMPAIRMENT 1 JULY 2006 \$000	OPENING CARRYING AMOUNT 1 JULY 2006 \$000	2007 ADDITIONS \$000	CURRENT YEAR DISPOSALS \$000	COST 30 JUNE 2007 \$000	ACCUMULATED AMORTISATION AND IMPAIRMENT 30 JUNE 2007 \$000	CLOSING CARRYING AMOUNT 30 JUNE 2007 \$000
Computer Software	402	100	302	301	0	703	217	486

Intangible Assets ▶ GDC : 2006

	GDC							
	COST 1 JULY 2005 \$000	ACCUMULATED AMORTISATION AND IMPAIRMENT 1 JULY 2005 \$000	OPENING CARRYING AMOUNT 1 JULY 2005 \$000	2006 ADDITIONS \$000	COST 30 JUNE 2006 \$000	ACCUMULATED AMORTISATION AND IMPAIRMENT 30 JUNE 2006 \$000	CLOSING CARRYING AMOUNT 30 JUNE 2006 \$000	
Computer Software	310	0	310	92	402	100	302	

Intangible Assets ▶ Group : 2006

	GROUP						
	COST 1 JULY 2005 \$000	ACCUMULATED AMORTISATION AND IMPAIRMENT 1 JULY 2005 \$000	OPENING CARRYING AMOUNT 1 JULY 2005 \$000	2006 ADDITIONS \$000	COST 30 JUNE 2006 \$000	ACCUMULATED AMORTISATION AND IMPAIRMENT 30 JUNE 2006 \$000	CLOSING CARRYING AMOUNT 30 JUNE 2006 \$000
Computer Software	310	0	310	92	402	100	302

22. INVESTMENTS

Shares in Companies

	OWNERSHIP %	NUMBER	GDC		GROUP	
			2006 \$000	2007 \$000	2006 \$000	2007 \$000
Gisborne Holdings Limited	100		20,755	20,178	0	0
~ Ordinary Shares		1,200,090				
~ Preference Shares		577				
			20,755	20,178	0	0
~ Other			111	121	111	121
Tauwhareparae Farms Limited - Investments			0	0	185	184
Total Shares in Companies			\$20,866	\$20,299	\$296	\$305

Gisborne Holdings Limited

The 577 Redeemable Preference Shares were redeemed in full on 20 November 2006. The carrying amount of this investment is recorded at fair value.

23. TRADE and OTHER PAYABLES

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Trade Payables				
Accrued Expenses	7,581	7,392	7,859	7,717
Rates in Advance	1,242	1,286	1,242	1,286
Total Accounts Payable	\$8,823	\$8,678	\$9,101	\$9,003

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.

24. PROVISION FOR LANDFILL AFTERCARE

GDC & GROUP	2006 \$000	2007 \$000
Opening Balance	642	799
Plus - Reversal of Discount	23	25
Less - Release of Provision	0	0
Plus - Additional Provision Required	134	643
	\$799	\$1,467
Current Portion of Provision	85	117
Non-Current Portion of Provision	714	1,350

A provision of \$1,124,387 is recognised for discounted costs still to be expended on Paokahu Landfill Aftercare. 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.

Increased aftercare costs for Paokahu Landfill have been recognised following the Paokahu Aftercare Plan Review in 2007, the first review since 2004.

A provision of \$342,562 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.

25. PROVISION FOR LANDFILL DECOMMISSIONING

GDC & GROUP	2006 \$000	2007 \$000
Opening Balance	6	6
Plus - Increase in Provision	0	0
Less - Expended in the Period	0	0
	\$6	\$6

26. CURRENT PROVISIONS

GDC & GROUP	2006 \$000	2007 \$000
Opening Balance	0	202
Plus – Provision / (Reversed)	202	(202)
	\$202	\$0
Total Current Provision	\$202	\$0

The Group previously made provision for contract disputes totalling \$202,000. During the year the dispute was resolved, and the provision reversed.

27. EMPLOYEE BENEFIT LIABILITIES

	GDC		GROUP	
	ACTUAL 2006 \$000	ACTUAL 2007 \$000	ACTUAL 2006 \$000	ACTUAL 2007 \$000
Accrued Pay	945	830	945	830
Annual Leave	990	1,168	1,082	1,205
Long Service Leave	163	116	163	116
Retirement Gratuities	237	264	237	264
Sick Leave	101	126	101	126
Total Employee Benefit Liabilities	\$2,436	\$2,504	\$2,528	\$2,541
Current Portion	2,248	2,398	2,340	2,435
Non-Current Portion	188	106	188	106
	\$2,436	\$2,504	\$2,528	\$2,541

28. BORROWINGS

The carrying amounts of Borrowings are as follows:

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Current				
Secured Debentures	0	10,000	0	10,000
Total Current Borrowings	\$0	\$10,000	\$0	\$10,000
Non-Current				
Secured Loans	10,000	4,000	11,733	7,733
Secured Debentures	20,000	10,000	20,000	10,000
Total Non-Current Borrowings	\$30,000	\$14,000	\$31,733	\$17,733

a. **Fair Value**

The fair values of non-current borrowings are as follows:

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Secured Loans	10,000	4,000	11,733	7,733
Secured Debentures	20,000	10,000	20,000	10,000
	\$30,000	\$14,000	\$31,733	\$17,733

The carrying amounts of borrowings approximate their fair value as the Group's secured loans and debentures are on floating interest rates. The interest rate range as at 30 June was 8.20% - 8.37%. (2006 : 7.71% - 7.90%.)

b. **Interest Rate Risk**

The following table sets out the carrying amount, by maturity, of the Group's borrowings exposure to interest rate risk:

2007	Overdraft GROUP \$000	Secured Loans GDC and GROUP \$000	Secured Debentures GDC \$000
Less Than One Year	60	-	10,000
Weighted Average Effective Interest Rate	8.45%	-	8.24%
Later Than One Year but not More Than Five Years	-	7,733	5,000
Weighted Average Effective Interest Rate	-	8.25%	-
Later Than Five Years	-	-	5,000
Weighted Average Effective Interest Rate			8.24%
	60	7,733	20,000

2006	Overdraft GROUP \$000	Secured Loans GDC and GROUP \$000	Secured Debentures GDC \$000
Less Than One Year	1,310	-	-
Weighted Average Effective Interest Rate	7.80%	-	-
Later Than One Year but not More Than Five Years	-	11,733	15,000
Weighted Average Effective Interest Rate	-	7.66%	-
Later Than Five Years	-	-	5,000
Weighted Average Effective Interest Rate			7.65%
	1,310	11,733	20,000

Interest Rates and Security

Debentures of \$20m (2006 \$20m) and Bank Loans of \$4m (2006 \$10m) are at a floating interest rate. The interest for debentures is set quarterly at the BKBM Mid rate plus a margin ranging between 0.10% and 0.22%. The GDC's bank loan facility and all debentures are secured over future rates income under a Debenture Trust Deed. The maximum potential security taken by the bank is for \$30 million. This security does not affect the normal operational activities involving GDC's assets.

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. The facility is secured by way of a general security agreement including a mortgage over Tauwhareparae Farms Limited's freehold land. The term of the loan is 5 years interest only.

Interest rates payable on the GDC's facility are between 8.1725% and 8.3725% (2006: 7.7% and 7.9%) on Secured Loans and Debentures. Interest rates payable on Tauwhareparae Farms Limited's facility are between 7.65% and 8.8% (2006: 7.64% and 7.8%)

29. EQUITY

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Accumulated Surplus				
As at 1 July	353,357	356,203	341,641	344,650
Transfers to Special Funds	(1,943)	(5,460)	(1,943)	(5,811)
Restricted Reserves	(100)	36	(100)	36
Reserve Funds	(46)	1	(46)	1
Transfers from Asset Revaluation Reserve on Disposal of Property, Plant and Equipment	105	239	105	239
Restricted Reserves	0	0	0	0
Surplus / (Deficit) for the Year	4,830	4,359	4,993	3,042
As at 30 June	\$356,203	\$355,378	\$344,650	\$ 342,157
Special Funds				
As at 1 July	10,147	12,090	10,147	12,090
Transfers from Retained Earnings	1,943	5,460	1,943	5,811
As at 30 June	12,090	17,550	12,090	17,901
Restricted Reserves				
As at 1 July	146	246	146	246
Transfers to Retained Earnings	0	(36)	0	(36)
Transfers From Retained Earnings	100	0	100	0
As at 30 June	\$246	\$210	\$246	\$210
Reserve Funds				
As at 1 July	(56)	(10)	(56)	(10)
Transfers from Retained Earnings	46	(1)	46	(1)
As at 30 June	(10)	(11)	(10)	(11)
Asset Revaluation Reserves				
As at 1 July	1,036,215	1,106,224	1,067,356	1,139,311
Transfers to Retained Earnings	(105)	0	(105)	0
Revaluations	70,114	230,311	72,060	230,416
As at 30 June	\$1,106,224	\$1,336,535	\$1,139,311	\$1,369,727

Asset Revaluation Reserves Consist of:

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Investments	67	78	68	78
Operational Assets				
Land	291,786	295,807	323,906	327,739
Buildings / Land Improvements	13,516	20,529	14,482	21,789
CBD	102	102	102	102
Office Equipment	476	467	476	467
Other Equipment	499	499	499	499
Infrastructural Assets				
Sewer & Wastewater	9,707	11,851	9,707	11,851
Stormwater	11,947	14,878	11,947	14,878
Water Supply	15,182	21,998	15,182	21,998
Solid Waste	139	364	139	364
Roading	731,943	939,102	731,943	939,102
Flood Control	30,860	30,860	30,860	30,860
TOTAL	\$1,106,224	\$1,336,535	\$1,139,311	\$1,369,727

30. RECONCILIATION OF NET SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Reported Net Surplus	4,830	4,359	4,993	3,042
ADD / DEDUCT on Cash Items - Depreciation	12,520	11,719	12,603	11,899
Taxation	0	0	0	0
Livestock Holding (Gain) / Loss	0	0	165	1,701
Unrealised (Gain) / Loss on Derivative Financial	(340)	(678)	(340)	(678)
Profit / (Loss) on Disposal of Assets	30	84	46	104
Write Off/Impairment Landfill	0	4,895	0	4,895
Forest Value (Gain) / Impairment	(11)	(373)	(10)	(1,060)
Increase Provision – Landfill Aftercare	156	668	156	668
	12,355	16,315	12,620	17,529
ADD Items Classified as Investing Activities				
Purchase of Assets Included in Payables	(516)	429	(427)	387
Forestry Expenditure Included in Payables	0	0	2	2
	(516)	429	(425)	389
Increase In Working Capital - Accounts Receivable	735	(945)	713	(1,006)
Stock on Hand	(16)	(83)	53	(70)
Payables and Accruals	2,499	(145)	2,268	98
Provision for Staff Entitlements	348	68	(440)	13
Current Provisions	203	(202)	203	(202)
Increase/(Decrease) in Deferred Tax Liability	0	0	279	30
Incr/(Decrease) in Revaluation Reserve due to	0	0	(62)	(8)
	3,769	(1,307)	3,894	(1,145)
Other Movements - Non-Current Receivables	(167)	(446)	(167)	(446)
Non-Current Payables	(3)	0	(3)	0
	(170)	(446)	(170)	(446)
Net Cash Inflow from Operating Activities	\$20,271	\$19,350	\$20,912	\$19,369

GISBORNE DISTRICT COUNCIL
Annual Report 2006 – 2007

31. CAPITAL COMMITMENTS and OPERATING LEASES

	2006	2007
Capital Commitments		
Gisborne District Council		
~ Capital Commitments Approved and Contracted - Not Later Than One Year	12,122	14,760
~ Capital Commitments Approved and Contracted - Greater Than One Year	5,952	1,164
Total Capital Commitments - Gisborne District Council	\$18,074	\$15,924
Total Group Commitments	\$18,074	\$15,924

GDC leases computer equipment in the normal course of its business. GDC purchases its computer equipment and sells back to the Lessor at fair value. GDC then leases back the equipment at fair value and any profit or loss is recognised immediately. GDC 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.

Non-Cancellable Operating Lease as Lessee

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Operating Lease Payments are Payable as Follows:				
~ Not Later Than One Year	239	272	239	272
~ Later Than One Year but Not Later Than Two Years	239	272	239	272
~ Later Than Two Years but Not Later than Five Years	120	136	120	136
Total Non-Cancellable Operating Leases	\$598	\$680	\$598	\$680

GDC 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 or by GDC 90 days notice.

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

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Less Than One Year	34	33	34	33
Later Than One Year and not Later Than Five Years	-	-	-	-
Later Than Five Years	-	-	-	-
Total Operating Lease Commitments	\$34	\$33	\$34	\$33

32. CONTINGENT LIABILITIES

	GDC		GROUP	
	2006 \$000	2007 \$000	2006 \$000	2007 \$000
Paokahu Consent Bond	100	100	100	100
	\$100	\$100	\$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.

Jody F Millennium

In February 2002 the vessel Jody F Millennium ran aground in a south easterly storm. As a result of this event significant costs were incurred in containing the oil spill, and refloating the vessel.

Both Tauwhareparae Farms Limited (as the residual Gisborne Port Company Ltd) and GDC were named as defendants in the writ issued by the ship's owners. The claim is for approximately \$20 million in damages.

GDC was dropped as second defendant from the original claim lodged by the ship's owners but was subsequently joined as a third party on an application by Tauwhareparae Farms Limited. GDC applied to the High Court to have the claim against it by Tauwhareparae Farms Limited struck out. That application was partially successful. To the extent it was not successful there was an appeal to the Court of Appeal. The Court of Appeal dismissed that appeal. The decision of the Court of Appeal is now subject to an application by GDC to the Supreme Court for leave to appeal against the Court of Appeal decision. Action is still continuing against Tauwhareparae Farms Limited.

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, three matters under that Act indicating potential liabilities of \$409,963 (2006 nil) had been brought to the GDC's attention.

Defined Benefit Scheme

GDC 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, GDC could be responsible for the entire deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, GDC could be responsible for an increased share of the deficit.

The actuary of the scheme has recommended the employer contribution remain at 2.0 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 2.0 is inclusive of specified superannuation contribution withholding tax.

33. 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

	2006 \$000	2007 \$000
Services provided by Council	62	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

	2006 \$000	2007 \$000
Salaries and Other Short Term Employee Benefits	1,171	1,250
Post Employment Benefits	-	-
Other Long Term Benefits	-	-
Termination Benefits	-	-

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

34. REMUNERATION and SEVERANCE PAYMENTS

During the year to 30 June 2007, the total remuneration received by or payable to the Mayor, other Councillors and Chief Executive of the Council were as follows:

	Total Remuneration 2006	2007
M Foon, Mayor	\$84,347	\$87,000
N Aston	\$24,854	\$25,290
J C Bauld	\$38,246	\$36,784
W S Burdett	\$40,850	\$42,683
A Cranston	\$25,118	\$25,678
A Davidson	\$33,011	\$33,069
R Haisman	\$31,661	\$29,604
H Hikawai	\$31,980	\$30,881
G Hope	\$23,718	\$25,644
A Poananga	\$35,258	\$32,595
P Seymour	\$37,711	\$36,923
K Sheldrake	\$23,783	\$24,755
G Thomson	\$24,831	\$26,648
M A Thorpe	\$30,288	\$32,073
B Wilson	\$31,920	\$33,526
R D R Elliott	\$233,979	\$260,470

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

Severance Payments

There were no severance payments made during the year (2006 \$93,389).

35. EVENTS AFTER BALANCE DATE – MANDER ROAD LANDFILL

At a meeting of the Gisborne District Council held on the 30th of August 2007, Council decided not to proceed with the Mander Road Landfill.

As result of this decision \$4.4 million which was recorded in the 30 June 2006 Accounts as Assets under Construction has been written off, and all costs associated with the Mander Road Landfill expensed in this year.

36. FINANCIAL INSTRUMENT RISKS

The Group has a series of policies to manage the risks associated with financial instruments. The Group is risk averse and seeks to minimise exposure from its treasury activities. The Group has established Council approved liability management and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market Risk

Price Risk ▶ Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group is not exposed to price risk, as it does not hold any listed equity instruments which are subject to market price movements

Currency Risk ▶ Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to currency risk, as it does not enter into foreign currency transactions.

Interest Rate Risk ▶ The interest rates on the Group's borrowings are disclosed in Note 28.

Fair Value Interest Rate Risk ▶ Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates expose the Group to fair value interest rate risk. The Group's Liability Management Policy outlines the level of borrowing that is to be secured using fixed rate instruments. Fixed to floating interest rate swaps are entered into to hedge the fair value interest rate risk arising where the Group has borrowed at fixed rates.

Cash Flow Interest Rate Risk ▶ Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Group to cash flow interest rate risk.

The Group manages its cash flow interest rate risk on borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings at floating rates and swaps them into fixed rates that are generally lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit Risk ▶ Credit risk is the risk that a third party will default on its obligation 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.

Liquidity Risk ▶ Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, GDC maintains a target level of investment that must mature within 90 days.

GDC manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management Policy. These policies have been adopted as part of the GDC'S Long Term Council Community Plan.

37. CAPITAL MANAGEMENT

GDC'S capital is its equity (or ratepayers' funds). It is made up of the following components:

- ▶ Accumulated Balances
- ▶ Reserve Funds
- ▶ Restricted Reserves
- ▶ Asset Revaluation Reserves
- ▶ Special Funds

Equity is represented by net assets. The Local Government Act 2002 [the Act] requires GDC to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the act and applied by GDC. Intergenerational equity requires today's ratepayers to meet the costs of utilising GDC's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations.

Additionally, GDC has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires GDC to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. And the Act sets out the factors that GDC is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in GDC's LTCCP.

GDC has the following Council created reserves:

Reserves Funds ▶ Reserve funds are recorded at cost and are established by council decision. Transfer to and from these reserves is at the discretion of GDC. The purpose for which these reserves were established may be altered without reference to third parties. Examples of these reserves include:

Recreation and sports grants, Creative Art NZ,
Drivewise Tairāwhiti and the Dog Pound Reserve

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. GDC may alter them without reference to any third party or the courts. Transfers to and from these Reserves are at the discretion of GDC.

Restricted Reserves ▶ Restricted Reserves are recorded at cost plus accumulated interest. These funds are subject to specific conditions accepted as binding by GDC and which may not be revised by GDC without reference to a third party or the courts.

38. STATEMENT OF FINANCIAL INVOLVEMENT IN CCTOs/CCOs and OTHER COMPANIES OR ORGANISATIONS

For the Group organisational structure please refer to the Council Management Section of the Annual Report.

The following companies are CCTOs/CCOs as defined by the Local Government Act 2002:

- ▶ Gisborne Holdings Ltd
- ▶ Tauwhareparae Holdings Ltd
- ▶ Tauwhareparae Forests Ltd

Tauwhareparae Farms Ltd, a company incorporated under the Port Company's Act 1988, is not a CCTO as defined by the Local Government Act 2002, but is a Group Company for accounting purposes.

The Council is also financially involved in:

Pamoa Joint Venture Forests - 16.75% of stumpage

Please refer to note 33 for related party transactions. Apart from that, there were no costs to each of the above enterprises for financial interests, finance or financial assistance of the Council.