GISBORNE HOLDINGS LTD

ANNUAL REPORT 2016/17

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GHL'S SHAREHOLDER GDC WILL RECEIVE A $2.548M DISTRIBUTION FROM THE 2017 YEAR – UP FROM $1.021M IN 2016 AND $1.298M MORE THAN REQUIRED UNDER OUR STATEMENT OF INTENT.

FROM THE CHAIR

With the transfer to Gisborne Holdings Ltd (GHL) from Gisborne District Council (GDC) of Waikanae Beach TOP Ten Holiday Park and Gisborne Vehicle Testing on July 1, 2016, GHL can rightly assume the mantle as the commercial arm of GDC.

With these entities joining Tauwhareparae Farms, Banks Street buildings and land, Dunstan Road (dog pound and rural land), Ruatoria and Te Puia land and buildings, the new GDC administration building under construction and the management of Council's leasehold properties, GHL has attained a core asset base approaching $100m.

With this asset base and the sound Statement of Financial Position at June 30, 2017, GHL is in a great position to commence achieving its goals as established with GDC under our Statement of Intent.

These include:

1. Growth of the asset base while protecting its financial standing.
2. Increasing annual distributions to Council.

GDC owns 100% of GHL. This means that all of our distributions (dividends and subvention payments) flow directly to GDC to help provide for capital works and subsidise our fellow ratepayer's rates' demands.

Current Year

At June 30, 2017, GHL has had these commercial assets transferred from Council for 18 months and the bedding in and commercial re-systemising of the entities has been achieved. Our Board is very pleased to report a total comprehensive income of $9.69m for the 2017 year compared to $11.275m last year. These figures include revaluations (non cash profit adjustments) for assets like livestock, forestry, carbon credits and property values. In cash terms from operating activities, the 2017 net cash in flow was $4.129m against $2.995m last year.

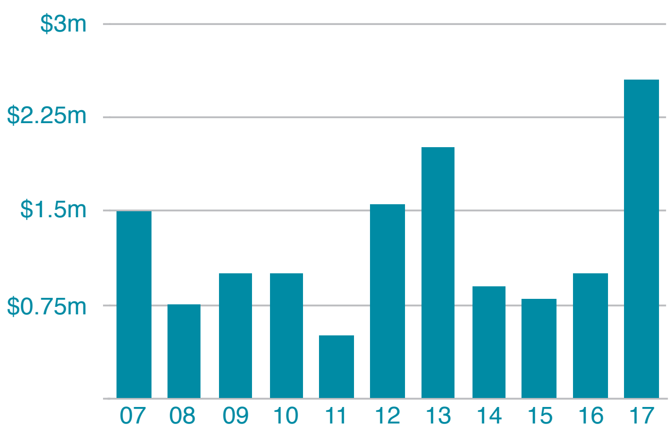
During the 2017 year GDC transferred, at independent valuations, $7.885m worth of assets to GHL ie Waikanae TOP Ten Holiday Park and Gisborne Vehicle Testing and these, along with profits retained, have moved our equity to $82.025m (last year $64.450m).

Return on shareholder's funds is 16.78% for 2017. GHL's total assets have moved up to $94.105m from $72.984m last year.

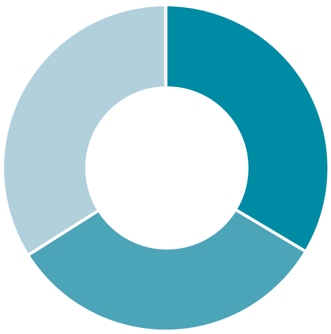
This is a very sound position, but next year will see increased borrowings for the GDC Fitzherbert Street rebuild of the administration building and the start of Waikanae Beach TOP Ten Holiday Park refurbishment.

Individual contributions to these results will be reported on later from Tauwhareparae Farms Ltd and Tairawhiti Investments divisions.

GHL Cash Distributions to GDC



Income split for Gisborne Holdings Ltd

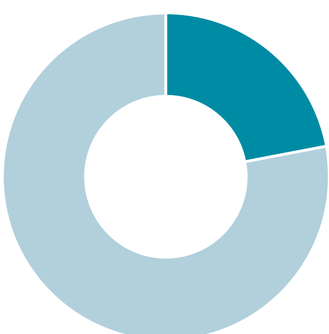


- TFL
- Forestry
- Tairawhiti Investments

Total assets v total equity

- Total assets – $94.105m
- Total equity – $82.03m
- Total liability – $12.08m

Growth in total assets



- Growth in assets – 22%

RETURN ON SHAREHOLDER'S FUNDS IS 16.78% FOR 2017 AND GHL'S TOTAL ASSETS HAVE INCREASED TO $94.105M, UP FROM $72.984M LAST YEAR.

I refer you also to Note 28 of the Financial Statements (Performance Targets of Gisborne Holdings Ltd for the year commencing July 1, 2016).

Shareholder's Distributions

We have provided for distribution of $2.548m from the 2017 result – in accordance with our distribution policy – compared to $1.021m last year.

This 2017 distribution will be $1.298m more than required under our Statement of Intent.

Where Are We Going

GHL is very pleased with the progress of the Fitzherbert Street rebuild and are aiming for the first meeting for Councillors in the new chambers before Christmas 2017. Unforeseen problems around asbestos in the demolished buildings and the preload requirements for part of the ground works have caused extra time and cost which we were unable to budget for, but these aside we are expecting a final cost of the rebuild and staff relocation in and out to be close to our budgeted figure.

The refurbishment of Waikanae Beach TOP Ten Holiday Park has started with the first stage of the project. We are aiming to have the project ready for the 2019 Cook Celebrations with a capital cost of $8m spent over a four year period.

This is exciting work as no refurbishment has been done on the Holiday Park for about 30 years and we believe our expenditure will better market our city and contribute significantly to our goal of lifting the annual distribution to GDC.

At Tauwhareparae Farms Ltd (TFL) we are concentrating this year on the reticulation of stock water to Tauwhareparae Station. We had a very real concern last year when a serious drought was averted so want to be ready in the future for such an event. We are also still working on how to better utilise the good bloodlines in our cattle at TFL and finishing off a larger number of stock ourselves.

The forestry harvest has commenced at TFL and we are hopeful of increasing profit contributions from here.

As well as making larger distributions to GDC and growing, while protecting our asset base, GHL also has a social conscience. If it eventuates, as is mooted, that GDC's community houses are transferred to GHL, they would do so under the same basis as we manage the units for GDC now.

The rents on existing units would stay at the same calculation basis as present. Our attitude is, that as the model is not broken we don't need to fix it.

Personnel

We advised last year our general manager at TFL, Dean Brenssell, resigned and left us at the end of September 2016. We were very fortunate to replace him with Keven Delegat who came from a neighbouring station. Keven

Board of Directors
(from top left across)
Peter Reeves
Rob Telfer
Ming Pollard
Matt Todd
Bob Proudfoot (Chairperson)

has had a challenging year with road dropouts, the beginning of forestry harvesting, staff changes and general roading problems effecting staff. However, he has come through well and is further enhancing the three stations. We were indeed fortunate to acquire Keven's expertise and he will report separately on TFL.

The contribution of Matt Feisst, the general manager of Tairawhiti Investments, over this year has been invaluable. The continued smooth transfer of the assets from GDC to GHL is due to his expertise, knowledge and professionalism.

Administrative Structure of GHL

Given the size GHL has grown to, the Board believes it is time to rationalise our administrative structure and we are implementing the following changes.

1. Appointment of a chief executive officer for the Group.
2. Appointment of a financial controller for the Group – bringing all accounting and office administration functions for the Group in-house.
3. Disestablishing the position of general manager Tairawhiti Investments.
4. Disestablishing station manager Tamatea Station to make three stock managers over Puketawa, Tamatea and Tauwhareparae stations.
5. Ceasing our accounting arrangements with Graham and Dobson Chartered Accountants and Jackson Blakeman Chartered Accountants.

Our costings of this exercise are close to break even initially with ongoing in-house benefits as time progresses.

I would like to convey our special thanks to Graham and Dobson and Jackson Blakeman for the work they have performed over the years for Tauwhareparae Farms Ltd and Gisborne Holdings Ltd.
In particular Richard Stannard and his team at Graham and Dobson who have acted for TFL since its beginning in 2003.

Conclusion

GHL is in a sound financial position going into 2017/18 year and we are excited at the developments happening this year.

Our new entities are settling in well and promise to continue to provide solid contributions to achieving our increasing distributions to GDC for the benefit of our fellow ratepayers throughout the region.

We welcomed Mrs Ming Pollard into our board in December 2016 and she is proving a valuable addition to our ranks.

Thank you to Nolans and Grey Street Legal for your legal work and assistance over the year.

Finally, thank you also to my fellow directors and our two general managers and their teams throughout 2016/17. Your willingness to support and give time to our projects over this year is very much appreciated.

RW Proudfoot
Board Chairperson

GDC OWNS 100% OF GHL. THIS MEANS THAT ALL OF OUR DISTRIBUTIONS (DIVIDENDS AND SUBVENTION PAYMENTS) FLOW DIRECTLY TO GDC TO HELP PROVIDE FOR CAPITAL WORKS AND SUBSIDISE OUR FELLOW RATEPAYER'S RATES' DEMANDS.

GENERAL MANAGER'S REPORT 2017

TAIRAWHITI INVESTMENTS

Tairawhiti investments (TI) is the commercial operating division of Gisborne Holdings Limited. At the end of the 2017 financial year, its activities include ownership of a range of commercial investment divisions, Property Holdings, Gisborne Vehicle Testing (GVT) and Waikanae Beach TOP 10 Holiday Park. 2017 was a busy year for TI. Along with the continued growth of Property Holdings, Gisborne Vehicle Testing and the Waikanae Beach TOP 10 Holiday Park were also transferred to the division from Gisborne District Council. This brought the TI team to a total of 35 FTEs and has additionally grown the commercial asset base of GHL.

Financial

Total income received on a cash basis was $4.864m against a budget of $4.125m This represents an increase of 18% over budget, a significant improvement on forecast. Total expenses on a cash basis were $3.661m, which was down against budget forecast.

Total assets under management by TI have grown to a value of $17.6m, up from $4.7m at the end of 2016. The predominate growth has been obtained through the acquisition of Waikanae Beach TOP 10 Holiday Park, Gisborne Vehicle Testing and the finalisation of property transfers from Gisborne District Council.

TI has performed extremely well, with the division ending the year ahead of budgeted income and profit.

Major Projects

The rebuild of the Fitzherbert Street administration centre project is currently on track and progressing as planned to meet a December 2017 move in date for Council staff. As with any project of this size, there have been some unforeseen issues that have arisen but these have been mitigated or reduced where possible.

The Property Holdings team are looking forward to the completion of this project as it represents a significant investment of time and expertise, and will result in an end asset valued at approximately $15m, making it the team's largest operational asset.

Personnel

With the addition of Gisborne Vehicle Testing and the Waikanae Beach TOP 10 Holiday Park at the beginning of the 2017 financial year, the TI team has grown to approximately 35 staff.

This year has seen a strong focus on system improvements, particularly in the health and safety across the organisation and GVT operational areas.

The entire TI team have taken this in their stride and approached all areas of change with a can-do attitude and a positive step forward.

Conclusion

This year has been a rewarding one, particularly considering the amount of operational change that has taken place across the division. I would like to thank the TI team and Board for their support over the year. TI is well placed to continue to provide a healthy contribution to Gisborne Holdings Ltd and the wider community.

Matt Feisst
General Manager

GHL BUSINESSES

GISBORNE VEHICLE TESTING

Gisborne Vehicle Testing

Gisborne Vehicle Testing is a one-stop shop for all things automotive related including warrants of fitness, registrations, new plates, change of ownership and road user charges, is home to Gisborne's AA agency, takes care of driver licensing, passport photos, IRD number applications and offers full servicing of vehicles, among other things.

GVT has shone in a highly-competitive market, exceeding its revenue forecast by 15% in its first year as a commercial entity.

Staff have embraced the opportunity to upskill, with many gaining qualifications. An external audit by NZTA had positive feedback on staff processes and procedures. The investment of new software this year has already shown its worth.

GVT are supportive of a number of groups and organisations in the community including a Child Safety Awareness Programme and sporting organisations.

Graham MacLean
Business Manager

- Exceeded budgeted forecast revenue by 15%
- Extensive training for new staff saw newly qualified customer services officers and warrant of fitness inspectors
- Implementation of new software for fleet maintenance and servicing
- Revamp of reception and customer waiting area
- Exterior of building painted and business re-branded
- Staff are actively involved with the health and safety forum and creating a safer working environment for all.

GHL BUSINESSES

PROPERTY HOLDINGS

Property Holdings manages a large and diverse portfolio of property including commercial, tenant occupied rentals, farm land and forestry for GHL.

It has been a great financial result for Property Holdings' first full year of operation. Key results have been delivered thanks to the effort of a dedicated and hands-on team who have the ability to manage assets, technology and reputation effectively and responsibly.

The team has worked very closely with the tenants of its managed properties to create environments that benefit both occupiers and visitors, in which businesses can grow and their staff enjoy working. Internally, new systems and processes have been implemented as well as training initiatives which provide efficiency gains and prepare the business unit for future growth.

Rob Budd
Business Manager

- Exceeded forecast revenue by 6.4%
- No accidents or lost time injuries over the reporting period
- Successfully delivered projects big and small
- Created a safe working environment for staff with career development opportunities and a good culture
- Team have worked hard to establish and maintain a positive working relationship with customers and vendors
- Having engaged employees and a safety culture that extends beyond the organisation's legal obligations.

GHL BUSINESSES

WAIKANAE BEACH TOP 10 HOLIDAY PARK

The Waikanae Beach TOP 10 Holiday Park is ensconced on some of the most coveted land in the district – just metres from Waikanae Beach and a short walk from the city centre. The land has been a camping ground since 1927 and is a popular destination for domestic and international visitors alike.

This was the Holiday Park's first full year of trading under the GHL umbrella. The financial figures have continued their upward trend, and the Park this year exceeded its forecast revenue by 22%.

Included in the highlights for the year are the completion of a master plan for the Park, the start of an eight-stage redevelopment project and a re-brand of the business.

Annually the Park contributes $6.5m a year to the Gisborne economy and during peak season, employs 30 staff.

The Park continues to give back to the wider community through a range of initiatives, including to schools and non-profit groups.

Matt Moore
Business Manager

- Completed a master plan for the Park
- Re-branded our business
- Exceeded forecast revenue by 22%
- 68% of visitors are domestic
- The Park hosted guests from 58 different countries this year
- The start of the $8m redevelopment project.

GHL BUSINESSES

TAUWHAREPARAE FARMS LTD

TFL
Tauwhareparae Farms Ltd

The 2016/17 year has been full of challenges for Tauwhareparae Farms Ltd. Three very wet weeks in September 2016 resulted in below average lambing and calving percentages, along with a major slip through the only road to Tamatea and Tauwhareparae stations leaving both properties without vehicle access for almost three weeks.

The summer was one of the driest on record only to be followed by Cyclone Cook which resulted in trees being blown over and TFL without power for six days. Two stock managers left at critical times of the season, but these roles were subsequently filled by two very capable and promising young farmers. Pine tree harvesting has begun on TFL creating its own set of challenges created by the very wet winter.

With the challenges presented to TFL over the season, a number of strategies and plans were put in place to help achieve the best returns on product sold, while keeping the cost of production to a minimum and not compromising health and safety.

TFL's lambing percentage was 128%, down from 144% the year before. 23,602 lambs were sold to Ovation, along with 564 sold to Ovation suppliers. The average lamb price for 2017 was

Administration

- Economic farm surplus per effective hectare up $911 on target

Operation

- Total farm expenditure per effective hectare improved on target
- Higher levels of fertiliser applied than forecast raising productivity of land

Livestock

- Sheep income $/ssu $43 up on target
- Cattle income $/csu $64 up on target.

$95, up $6 from the year before.

The calving percentage was 86% in the MA and R3 Heifers, down from 90% the year before. 2161 cattle were sold at an average price of $1162 this year, compared to 1998 sold last year at an average of $1038. TFL will be calving an extra 200 R2 heifers this coming season while maintaining normal cattle numbers. This is a result of better genetics, feed quality and fertiliser.

Pine tree harvesting has begun on TFL with 10-12 units of logs going out the gate every day. The harvesting crew being contracted is a fully mechanised operation with a very good health and safety record.

In the period February to June 30, 2017, TFL harvested 47.6 hectares producing 22,629 tonnes of logs for $2,888,280 (gross receipts). After harvesting expenses this netted $921,000 and covered $775,000 of capital forestry roading costs.

The water reticulation scheme at Lowden Hills was a major factor in TFL's ability to carry normal stock numbers through the drought and achieve a positive result.

Major projects over the season have been the renovation of cattle yards at Tamatea and Tauwhareparae stations. This renovation was required as the old yards were a health and safety and animal welfare risk. New Tru-Test weigh scales have been purchased, giving the stock managers real data on daily weight gains and actual weight when stock are sold.

FarmIQ software technology is being used by all stock managers to record animal and pasture data as well as up-to-date mapping of the properties. The internal road linking the three stations has had a significant amount of maintenance this season with water tabling and metalling along with rebuilding the slipped out area so it is safe for truck and trailer units of stock to pass over.

All staff attend a health and safety and farm planning meeting at the cook house every second month which doubles as a station get-together and a chance to socialise. The staff have a strong 'one team' culture along very positive work ethic and a 'let's get the job done' attitude which is required for the challenges faced every day on this unique property.

Keven Delegat
General Manager

PERFORMANCE TARGETS OF TAUWHAREPARAE FARMS LTD FOR THE YEAR COMMENCING 1 JULY 2016

Performance Targets

Farming Operations
The Company intends to measure its operational performance in undertaking its farming operations by comparing itself to the district averages by reference to the following farm-related parameters with the aim of achieving results comparable to that achieved by the top 20% of the district's farms during the period under review.

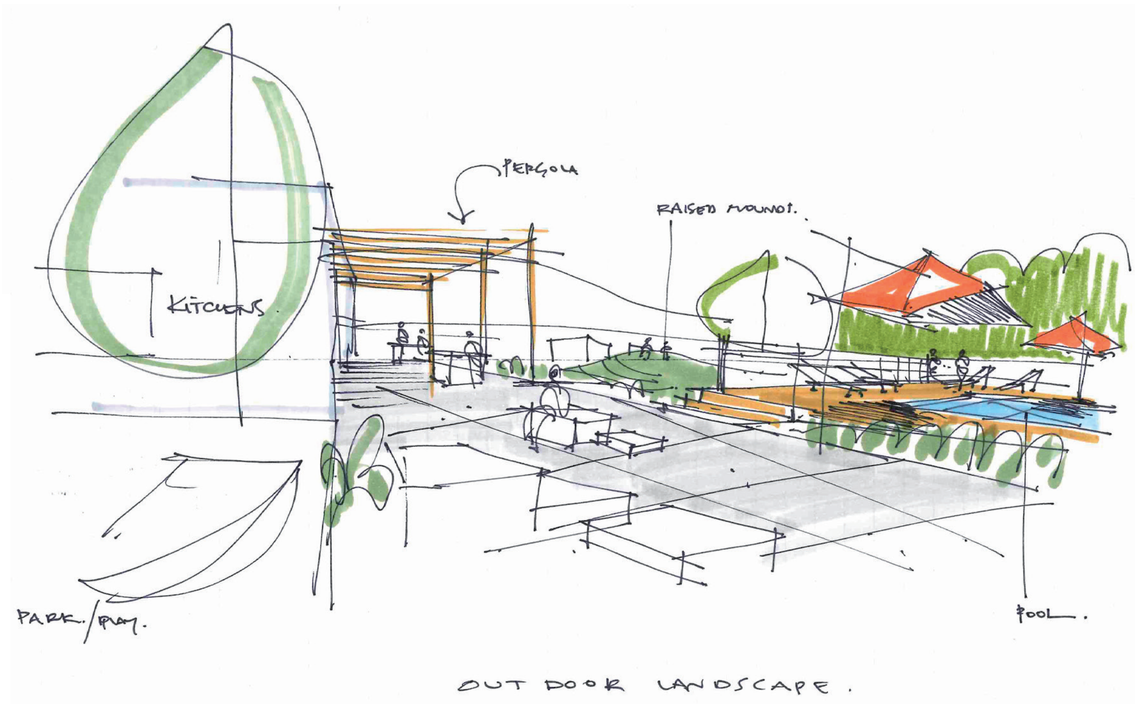
Category	Measurement Base	Target	Result
Effective Hectares		6,000	5,900
Opening Stock Units		60,000	58,211
Closing Stock Units		60,000	56,779
Fertiliser			
Phosphate	Kg/stock unit	1.6kg	2.1kg
Sulphur	Kg/stock unit	1.6kg	2.5kg
Sheep			
Ewe lambing	%	140%	128%
Deaths	%	Less than 4%	4.9%
Sheep income	$/ssu	$80	$123
Wool			
Wool income	$/ssu	$17	$14
Wool weight	kg/ssu	5kg	6.7kg
Cattle			
Calving cows	%	87%	86%
Deaths	%	Less than 1.5%	1.9%
Cattle income	$/csu	$60	$124
Total Farm Expenditure			
Total Farm Expenditure	Per effective hectare	$500	$470
Economic Farm Surplus			
Economic Farm Surplus (EBIT)	Per effective hectare	$250	$1,161
Number of Lost Time Injury Accidents		0	2
Number of successful personal grievances taken against the company		0	0
Permanent Staff Turnover		Less than 20%	33%

Economic Farm Surplus (EBIT, Earnings Before Interest and Tax) is the return inclusive of all operating and administration expenditure, governance and corporate overheads, and depreciation. It does not include significant capital items, interest and taxation.

THE PROJECTS

The $12.5m rebuild of Gisborne District Council's Fitzherbert Street administration centre is well underway and on target for a December handover. The building is owned and managed by GHL.

A key part of this project was also the $1.4m office space fit-out of the Emerald Hotel and 39 Gladstone Road offices as temporary accommodation for GDC staff, and the seamless move into those buildings. Furniture from the old administration building was donated to several local charities and organisations.



The $8m redevelopment of the Waikanae Beach TOP 10 Holiday Park includes new and upgraded accommodation, a pool, a new entrance, landscaping and more. The development is expected to be completed in eight stages over four years. Key to the plan is growing GHL by investing in locally-owned and operated activities.

FINANCIAL STATEMENTS

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF GISBORNE HOLDING LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2017

The Auditor-General is the auditor of Gisborne Holdings Limited and its New Zealand domiciled subsidiaries and other controlled entities. The Auditor-General has appointed me, David Borrie, using the staff and resources of EY, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 21 to 52, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on page 15 as well as pages 53 to 55.

In our opinion:

- the financial statements of the Group on pages 21 to 52:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime
- the performance information of the Group on page 15 as well as pages 53 to 55 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2017.

Our audit was completed on 19 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the Group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 14, 16 to 18 and 56 to 57, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners*, issued by New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.

David Borrie
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

JacksonBlakeman
CHARTERED ACCOUNTANTS

Statement of comprehensive income
for the year ended 30 June 2017

	Notes	Actual 2017 $000	Budget Unaudited 2017 $000	Actual 2016 $000
Continuing operations				
- Sheep Sales	16	**2,605**	2,629	2,703
- Cattle Sales	16	**2,512**	2,055	2,076
- Wool Sales		**421**	543	656
- Honey Sales		**152**	102	102
- Forestry Income and Grants Received		**2,978**	965	67
- Sheep Value Increase		**1,303**	77	185
- Cattle Value Increase		**1,133**	351	693
- Forestry Value Increase	16	**-**	-	5,029
- Investment Property Value Increase	14	**2,576**	-	-
- Carbon Credits		**1,732**	462	-
- Income from Operations of Property Holdings		**2,193**	2,061	1,074
- Income from Operations of Gisborne Vehicle Testing		**1,121**	951	-
- Income from Operations Of Waikanae Beach TOP 10 Holiday Park		**1,430**	1,113	-
- Management Fee		**120**	135	105
Total Revenue		**20,276**	11,444	12,690
Cost of Sales				
- Property Holdings		**843**	1,183	340
- Gisborne Vehicle Testing		**253**	134	-
- Waikanae Beach TOP 10 Holiday Park		**439**	462	-
- Sheep Purchases	16	**94**	106	106
- Cattle Purchases	16	**282**	231	207
- Forestry Expenditure		**1,967**	18	-
- Forestry Value Decrease		**161**	680	-
Total Cost of Sales		**4,038**	2,814	653
Gross Profit		**16,238**	8,630	12,037
Other Income				
- Interest Received		**-**	-	3
- Income Recovered		**81**	52	62
Total Other Income		**81**	52	65
Total Income		**16,319**	8,682	12,102
Expenditure from continuing operations				
- Farming Expenditure		**1,783**	1,871	1,920
- Salaries and Wages		**2,827**	2,513	1,396
- Administrative Expenditure		**927**	690	599
- Depreciation		**1,030**	423	433
- Loss on sale of assets		**14**	-	12
- Financing Expenditure		**35**	134	33
Total expenditure		**6,616**	5,631	4,393
Net Operating Profit/(Loss) before taxation		**9,702**	3,051	7,709
Subvention Payment – Gisborne District Council		**(2,548)**	(1,250)	(1,021)
Taxation (expense) / credit	8	**(898)**	44	(1,467)
Net Profit / (Loss) for the period		**6,256**	1,845	5,221

The accompanying notes form an integral part of these financial statements

Statement of comprehensive income (continued)
for the year ended 30 June 2017

	Notes	**Actual**	Budget Unaudited	Actual
		2017	2017	2016
		$000	$000	$000
Other comprehensive income				
Fair revaluation gain on property, plant and equipment	15	**3,476**	-	5,150
Deferred tax on building revaluations		**(20)**	-	(9)
Gain/(loss) on sale of carbon credits		**(25)**		
Deferred tax on carbon credits sale		**7**		
Revaluation gain/(loss) on carbon credits		**(6)**	-	1,268
Deferred tax on carbon credits revaluation		**2**	-	(355)
Other comprehensive income for the year attributable to owners of the parent		**3,434**	-	6,054
Net profit/(loss) for the year		**6,256**	1,844	5,221
Total comprehensive income for the year attributable to the owners of the parent		**9,690**	1,844	11,275

Statement of changes in equity for the year ended 30 June 2017

	$000 Ordinary Shares	$000 Asset Revaluation Reserve	$000 Carbon Credit Revaluation Reserve	$000 Available For sale Reserve	$000 Retained Earnings	$000 Total
At July 2016	**25,176**	**31,594**	**913**	**(5)**	**6,772**	**64,450**
						-
Net profit/(loss) for the year	**-**	**-**	**-**	**-**	**6,256**	**6,256**
Other comprehensive income	**-**	**3,456**	**(4)**	**-**	**(18)**	**3,434**
Realised gains on sale			**(825)**		**825**	**-**
Total comprehensive income for the year	**-**	**3,456**	**(829)**	**-**	**7,063**	**9,690**
Transactions with owners in their capacity as owners						
Shares Issued	**7,885**	**-**	**-**	**-**	**-**	**7,885**
At 30 June 2017	**33,061**	**35,050**	**84**	**(5)**	**13,835**	**82,025**

Statement of changes in equity for the year ended 30 June 2016

	$000 Ordinary Shares	$000 Asset Revaluation Reserve	$000 Carbon Credit Revaluation Reserve	$000 Available For sale Reserve	$000 Retained Earnings	$000 Total
At July 2015	21,200	26,453	-	(5)	1,551	49,199
						-
Net profit/(loss) for the year	-	-	-	-	5,221	5,221
Other comprehensive income	-	5,141	913	-	-	6,054
Total comprehensive income for the year	-	5,141	913	-	5,221	11,275
Transactions with owners in their capacity as owners						
Shares Issued	3,976	-	-	-	-	3,976
At 30 June 2016	25,176	31,594	913	(5)	6,772	64,450

The accompanying notes form an integral part of these financial statements

JacksonBlakeman
CHARTERED ACCOUNTANTS

Statement of financial position as at 30 June 2017

	Notes	**Actual**	Budget Unaudited	Actual
		2017	2017	2016
		$000	$000	$000
Contributed equity	6	**33,061**	32,111	25,176
Retained Earnings	7	**13,835**	14,935	6,772
Reserves	7	**35,129**	26,415	32,502
Total equity		**82,025**	73,461	64,450
Represented by:				
Current assets				
Cash and cash equivalents		**121**	1,578	21
Trade and other receivables	10	**727**	495	249
Inventories	11	**152**	41	128
Total current assets		**1,000**	2,114	398
Current liabilities				
Bank (unsecured)	12	**1,228**	4,616	657
Payables and accruals	13	**1,975**	1,278	1,437
Gisborne District Council - Current Account	13	**2,548**	1,250	1,021
Taxation	8	**742**		56
Total current liabilities		**6,493**	7,144	3,171
Net working capital		**(5,493)**	(5,030)	(2,773)
Non-current assets				
Investment Property	14	**9,847**	6,320	3,963
Property, plant & equipment	15	**55,204**	52,869	42,872
Biological assets	16	**25,735**	22,427	23,401
Available-for-sale-financial assets	17	**401**	456	385
Investments in shares	17	**2**	-	
Intangible assets - NZ Emission Units	18	**1,916**	1,542	1,965
Total non-current assets		**93,105**	83,614	72,586
Non-current liabilities				
Deferred Tax	8	**5,587**	5,077	5,363
Total non-current liabilities		**5,587**	5,077	5,363
Net assets		**82,025**	73,507	64,450

For and on behalf of the Board, who authorise the issue of these financial statements on 19 September, 2017.

RW Proudfoot (Chairman) **Matt Todd**

The accompanying notes form an integral part of these financial statements

JacksonBlakeman CHARTERED ACCOUNTANTS

Statement of cash flows
for the year ended 30 June 2017

	Notes	**Actual**	Budget Unaudited	Actual
		2017	2017	2016
		$000	$000	$000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		**12,550**	11,958	6,936
Income tax refunds / (payments)		**-**	(47)	4
Goods and services tax (net)		**(16)**	-	(121)
		12,534	11,911	6,819
Cash was distributed to:				
Payments to suppliers & employees		**8,405**	8,752	3,824
		8,405	8,752	3,824
Net cash inflow / (outflow) from		**-**		
operating activities	21	**4,129**	3,159	2,995
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of fixed assets		**149**	148	27
Proceeds from sale of investments				
Proceeds from sale of carbon credits		**1,751**	1,750	-
		1,900	1,898	27
Cash was applied to:				
Purchase of fixed assets		**4,536**	5,648	1,906
Forest asset expenditure		**55**	111	43
Development expenditure		**847**	563	413
Carbon credits expenditure		**4**	2	2
		5,442	6,324	2,364
Net cash inflow / (outflow) from investing activities		**(3,542)**	(4,426)	(2,337)
Cash flows from financing activities				
Cash was provided from:				
Interest received		**-**	-	3
		-	-	3
Cash was applied to:				
Dividends & subvention payment paid		**1,021**	1,021	1,000
Interest paid		**36**	114	29
		1,057	1,135	1,029
Net cash inflow / (outflow) from financing activities		**(1,057)**	(1,135)	(1,026)
Net increase / (decrease) in cash held		**(471)**	(2,402)	(368)
Opening cash brought forward		**(636)**	(636)	(268)
Ending cash carried forward		**(1,107)**	(3,038)	(636)
Cash at year end:				
Cash and cash equivalents		**121**	1,578	21
Bank wholesale advances		**(1,228)**	(4,616)	(657)
Ending cash carried forward		**(1,107)**	(3,038)	(636)

The accompanying notes form an integral part of these financial statements

Notes to and forming part of the financial statements

1. Corporate Information

Gisborne Holdings Limited (the Company) is a company incorporated and domiciled in New Zealand and is a Council-Controlled Organisation as defined in section 6 of the Local Government Act 2002. The Company is wholly owned by Gisborne District Council and is registered under the Companies Act 1993.

The Group consists of Gisborne Holdings Limited, its 100% owned subsidiaries, Tauwhareparae Farms Limited and Tauwhareparae Forests Limited.

The Financial Statements for Gisborne Holdings Limited are for the year ended 30 June 2017. The Financial Statements were authorised on 19 September 2017.

The principal activities during the year were:

- The production and supply of livestock
- The planting, growing and tending of forestry
- The maintenance and reversion of native forestry areas
- The provision of accommodation for council employees and council services
- Project Management for the relocation and rebuild of council buildings
- Operation of Waikanae Beach TOP 10 Holiday Park
- Operation of Gisborne Vehicle Testing
- Commercial Property leasing and management

There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

(a) Basis of Preparation

The financial statements of the Group have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993. The financial statements have also been prepared on a historical cost basis except for land and buildings, derivative financial instruments, available for sale investments, forestry, livestock and emissions units which have been measured at fair value.

The financial report is presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

(b) Statement of Compliance

The consolidated financial statements of Gisborne Holdings Limited group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). Gisborne Holdings Limited is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR'), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS RDR.

The group is eligible and has elected to report in accordance with Tier 2 For-profit Accounting Standards (NZ IFRS RDR) on the basis that the group has no public accountability and is not a large for-profit public sector entity. In applying NZ IFRS RDR, the group has applied a number of disclosure concessions.

Notes to and forming part of the financial statements

2. Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

(d) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position compromise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the Statement of Financial Position.

(e) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognized initially at fair value and subsequently measure at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognized when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of the estimated future cash flow, discounted at the original effective interest rate.

(f) Inventories

In accordance with NZ IAS 41 – *Agriculture* wool on hand is valued at fair value less estimated point of sale costs at time of harvest. Consumable stocks are valued at the lower of cost, determined on a first-in first-out basis, and net realisable value. This valuation includes allowances for slow moving and obsolete inventories.

In accordance with NZ IAS 2 – *Inventories* are valued at the lower of cost, determined on a first-in first-out basis, and net realisable value.

(g) Livestock

Livestock is valued at fair value less point of sale costs. These values are not the same as those used for calculating taxation. Changes in the value of existing productive livestock and the numbers and/or composition of the livestock are treated as revenue items.

Notes to and forming part of the financial statements

2. Summary of significant accounting policies (continued)

(h) Forestry Assets
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 by an independent valuer. Valuation movements pass through the Statement of Comprehensive Income. The costs to maintain the forestry assets are included in the Statement of Comprehensive Income.

(i) Derivative financial instruments
No derivative financial instruments were used during the year..

(j) Investments and other financial assets
Investments and financial assets in the scope of NZ IAS 39 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit and loss, loans and receivables or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement
(i) Financial assets at fair value through profit and loss
Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

(ii) Financial liabilities at fair value through profit or loss
Financial liabilities classified as held for trading are included in the category "financial liabilities at fair value through the statement of comprehensive income". Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the statement of comprehensive income.

Notes to and forming part of the financial statements

2. Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

(iii) Loans and receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired. These are included in current assets, except for those with maturities great than 12 months after balance date which are classified as non-current.

(iv) Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not classified as any of the two preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income (reserves) until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in reserves is reclassified to profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing model, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(k) Property, plant and equipment

Plant and equipment is stated as historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance and revaluation costs are recognised in the statement of comprehensive income as incurred.

Land and buildings are measured at fair value, based on annual valuations by external independent valuers who apply the International Valuations Standard Committee International Valuation Standards, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation. The effective date for the valuation was 30th June 2017.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:
Land – not depreciated
Land Improvements – 10 years
Buildings – 40 years
Plant and equipment – 10 years
Office Equipment – 10 years
Motor vehicles – 5 years
Leasehold Improvements – 2 years

Notes to and forming part of the financial statements

2. Summary of significant accounting policies (continued)
(k) Property, plant and equipment (continued)

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at each financial year.
Capital work in progress is not depreciated. The total cost of a project is transferred to freehold buildings and/or plant and equipment on its completion and then depreciated.

Revaluations of land and buildings
Any revaluation increment is credited to the asset revaluation reserve included in other comprehensive income, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

Under disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(l) Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the Property Institute of New Zealand. Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Notes to and forming part of the financial statements

2. Summary of significant accounting policies (continued)

(l) Investment Property (continued)

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(m) Emissions Trading Scheme

Gisborne Holdings Ltd subsidiary Tauwhareparae Farms Ltd has voluntarily entered the New Zealand Emissions Trading Scheme ("ETS") in respect of 1,224.2 hectares of forest land located in the Tauwhareparae area. This entitles the Subsidiary to receive emission units ("units") for carbon stored in the specified area, from 1 January 2008 baseline.

Units received are initially recognised at fair value on the date they are received with the uplift recognised in the statement of comprehensive income. Measurement at subsequent year ends is at fair value referenced to market prices with movements being recorded in other comprehensive income.

Where there is an obligation to return units this liability is recognised on the Statement of Financial Position, measured with reference to the carrying value of units on hand. Where there are insufficient units on hand to meet the emissions obligation, this is measured by reference to the current market value for units held.

Future cash flows associated with units receivable/payable are taken into consideration in determining the valuation of the specified area.

(n) Impairment of non-financial assets other than goodwill and indefinite life intangibles

Non-financial assets are tested for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Notes to and forming part of the financial statements

2. Summary of significant accounting policies (continued)

(o) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of load facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use of sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(q) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it's 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.

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 state of comprehensive income net of any reimbursement.

Employee leave benefits

Wages, salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Notes to and forming part of the financial statements

2. Summary of significant accounting policies (continued)

(r) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares of options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to and forming part of the financial statements

2. Summary of significant accounting policies (continued)

(t) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Sale of goods

Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer (through the execution of the sales agreement at the time of delivery of the goods to the customer), no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed (for shipped goods this is the bill of landing date).

When the contract outcome cannot be estimated reliability, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(ii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

(u) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary reasons.

Deferred income tax assets are recognised for all deductible and temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to and forming part of the financial statements

2. Summary of significant accounting policies (continued)

(u) Income tax and other taxes (continued)

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probably that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing the financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.
Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

(v) Government grants

The Group receives government grants from the Ministry of Primary Industries 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. This is in accordance with NZ IAS 20: *Government Grants.*

3. Financial risk management objectives and policies

The Group's principle financial instruments comprise receivables, payables, bank loans and overdrafts, available-for-sale investments, cash and short-term deposits and derivatives.

Risk exposures and responses

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the financial controller under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, interest rate risk, credit allowances, and future cash flow forecast projections.

4. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be responsible under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumption and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and considerations may be found in the relevant notes to the financial statements.

4. Significant accounting judgements, estimates and assumptions (continued)

(i) Significant accounting judgements

Impairment of non-financial assets other than goodwill and indefinite life intangibles
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectation. If an impairment trigger exists the recoverable amount of the asset is determined.

Taxation
The Group accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

(ii) Significant accounting estimates and assumptions

Valuation of livestock
The company has included livestock at fair value and movements in fair value are recognised in comprehensive income. The fair value of livestock has been determined by independent livestock valuers after deduction of the estimate costs to market the livestock.

Valuation of forestry
The company has included forestry at fair value and movements in fair value are recognised in comprehensive income. The fair value of forestry has been determined by independent forestry valuers.

Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience as well as manufacturer's warranties (for plant and equipment), and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustment to useful lives is made when considered necessary.

Valuation of Investment Property
The company has included investment properties at fair value which reflects market conditions at reporting date. These are valued by an external independent valuer.

Valuation of Land and Buildings
The company has included land and buildings at fair value, based on annual valuation by external independent valuers. The effective date is 30 June, 2017.

5. Net operating surplus before taxation

	Actual **2017** **$000**	Budget Unaudited 2017 $000	Actual 2016 $000
After crediting:			
Interest Income	**-**	-	3
Depreciation recovered			
- Motor Vehicles	**81**	-	1
After charging:			
Audit fees and expenses	**53**	37	39
Depreciation:			
- Investment Property	**-**	-	34
- Buildings & Improvements	**849**	270	243
- Plant and equipment	**74**	33	34
- Motor Vehicles	**107**	120	121
Directors' fees	**200**	200	200
Employee benefit expenditure	**2,627**	2,313	1,196
Interest expense:			
- Short term Advance Facility	**24**	134	25
- Overdraft	**11**	-	8

6. Contributed equity

	Actual **2017** **$000**	Budget Unaudited 2017 $000	Actual 2016 $000
Issued and paid up			
Balance at 1 July	**25,176**	25,176	21,200
Issued Share Capital	**7,885**	-	3,976
Balance at 30 June	**33,061**	25,176	25,176

There were total ordinary shares of $5,368,411 at 30 June 2017. All shares are fully paid and have equal voting rights

Shares have been issued to Gisborne District Council in satisfaction of the transfer of the commercial assets to GHL (i.e. $7,884,821).

7. Retained Earnings and Reserves

	Actual 2017 $000	Budget Unaudited 2017 $000	Actual 2016 $000
Retained Earnings			
Balance 1 July	**6,772**	-	1,551
Transfers to Reserves	**807**		
Net Profit attributable to equity holders	**6,256**	-	5,221
Balance 30 June	**13,835**	-	6,772
Asset Revaluation Reserve			
Balance 1 July	**31,594**	-	26,453
Revaluation of Land	**3,218**	-	4,810
Revaluation of other land improvements	**38**	-	274
Revaluation of Buildings	**220**	-	66
Deferred tax on buildings revaluation	**(20)**	-	(9)
Balance 30 June	**35,050**	-	31,594
Available for sale Revaluation Reserve			
Balance 1 July	**(5)**	-	(5)
Balance 30 June	**(5)**	-	(5)
Carbon Credit Revaluation Reserve			
Balance 1 July	**913**	-	-
Revaluation of Carbon Credits	**(6)**	-	1,268
Deferred tax on Carbon Credits revaluation	**2**	-	(355)
Realised gain on sale of Carbon Credits	**(825)**	-	-
Balance 30 June	**84**	-	913
Total Closing Balance Revaluation Reserves	**35,129**	-	32,502

Nature and Purpose of Reserves

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extents that they offset one another.

Available-for-sale Revaluation Reserve

The available-for-sale revaluation reserve arises on revaluation of investments which are recognised as available-for-sale financial assets.

Interest rate risk

The Group's financial assets and liabilities which are exposed to interest rate risk include cash and deposits and secured bank loans. The Group adopts a policy of reducing the exposure to changes in interest rates by utilising interest rate swaps to limit future interest costs, when necessary.

Carbon Credit Revaluation Reserve

The carbon credit revaluation reserve records movements in the fair value of Carbon Credits.

JacksonBlakeman
CHARTERED ACCOUNTANTS

8. Income Tax

	Actual	Budget Unaudited	Actual
	2017	2017	2016
	$000	$000	$000
(a) Income Tax			
The major components of income tax expenses are:			
Income Statement			
Current income tax			
Current period income tax charge	**686**	-	56
Prior period adjustment	**-**	-	-
Deferred income tax			
Relating to origination and reversal of temporary differences	**212**	-	1,411
Income tax expense/(credit) reported in the income statement	**898**	110	1,467
(b) Amounts charged or credited directly to other comprehensive income			
Relating to revaluation of Carbon Credits	**(9)**	-	355
Relating to revaluation of buildings	**20**	-	9
Income tax expense reported in other comprehensive income	**11**	-	364
(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate			
Accounting profit/(loss) before tax from continuing operations	**7,154**	-	6,688
Total accounting profit/(loss) before income tax	**7,154**	-	6,688
At the Group's statutory income tax rate of 28% (2016: 28%)	**2,003**	-	1,872
Herd Livestock Adjustment	**(346)**	-	(215)
Imputation credits on dividends received	**-**	-	-
Non-deductible income and expenses	**(725)**	-	54
Group loss offset - Gisborne District Council	**(34)**	-	(244)
Group loss offset - Gisborne Holdings Ltd	**-**		
Aggregate income tax expense/(Credit)	**898**	-	1,467
Aggregate income tax expense/(Credit) is attributable to:			
Continuing operations	**898**	-	1,467
	898	-	1,467

8. Income Tax (continued)

	Actual	Budget Unaudited	Actual
	2017	2017	2016
	$000	$000	$000
(d) Recognised deferred tax assets and liabilities			
Deferred income tax at 30 June relates to the following			
(i) Deferred tax liabilities			
Biological Assets	**4,333**	-	3,972
Accelerated depreciation: buildings, plant & equipment. motor vehicles	**773**	-	867
Other	**(55)**	-	(26)
NZ Emission Units	**536**	-	550
Gross deferred tax liabilities	**5,587**	-	5,363
Set-off of deferred tax assets	**-**	-	-
Net deferred tax liabilities	**5,587**	-	5,363
(ii) Deferred tax assets			
Tax Losses	**-**	-	-
Gross deferred tax assets			-
Set-off of deferred tax assets against liabilities	**-**	-	-
Net deferred tax assets	**-**	-	-

9. Subvention Payments Paid

Subvention declared 2015	**-**	-	1,000
Subvention declared 2016	**1,021**	1,250	-
	1,021	1,250	1,000

10. Trade and other receivables

	Actual 2017 $000	Budget Unaudited 2017 $000	Actual 2016 $000
Trade receivables	**794**	495	231
Prepayments	**(67)**	-	18
Balance at 30 June	**727**	495	249

There are no impaired trade and other receivables

Fair value and credit risk
Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

11. Inventories

	Actual 2017 $000	Budget Unaudited 2017 $000	Actual 2016 $000
Farm supplies on hand	**57**	41	46
Wool on hand	**74**	-	82
Goods for sale	**21**	-	-
Balance at 30 June	**152**	41	128

No inventories are pledged as security for liabilities nor are any inventories subject to retention of title clauses.

12. Bank (unsecured)

A short term advance facility with a limited of $3.5 million is in place with ANZ Bank of New Zealand Limited. The facility is secured by way of a general security agreement. The balance at 30 June 2017 was $1,228,237 (2016: $657,000)

13. Payables and accruals

	Actual 2017 $000	Budget Unaudited 2017 $000	Actual 2016 $000
Trade creditors and accruals	**1,556**	917	923
Lease incentive liability	**175**	175	397
Accrued staff entitlements	**244**	186	117
	1,975	1,278	1,437
Related party payable Gisborne District Council	**2,548**	1,250	1,021
Balance at 30 June	**4,523**	2,528	2,458

Fair Value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

14. Investment Property

	Land 2017 $000	**Buildings 2017 $000**	**Total 2017 $000**
Cost or valuation			
At 1 July 2015	-	-	-
Additions at cost	3,061	902	3,963
Disposals at net book value	-	-	-
Revaluation Adjustment	-	-	-
At 30 June 2016	**3,061**	**902**	**3,963**
Additions at cost	1,780	1,528	3,308
Disposals at net book value	-	-	-
Revaluation Adjustment	665	1,911	2,576
At 30 June 2017	**5,506**	**4,341**	**9,847**

The Group's investment properties consist of five properties. Management determined that the investment properties consist of three classes - commercial, residential and cropping- based on the nature, characteristics and risks of each property. As at 30 June 2017, the fair values of the properties are based on valuations performed by Kay Maw of Lewis Wright Valuation & Consultancy Ltd, an accredited independent valuer. The valuation method used was the market comparison approach. Rental income derived from investment properties was $592,486 (2016: $193,412). Direct operating expenses generating rental income was $156,681 (2016: $17,484).

15. Property plant and equipment

	Freehold Land & Improvements	Buildings	Construction in Progress	Leasehold Improvements	Plant & Equipment	Motor Vehicles	Total
	$000	$000	$000	$000	$000	$000	$000
Cost or valuation							
At 1 July 2015	33,578	3,946	-	-	503	584	38,611
Additions at cost	391	44	674	1,005	46	157	2,317
Disposals at cost	-	-	-	-	(13)	(59)	(72)
Revaluation Adjustment	5,084	66	-	-	-	-	5,150
At 30 June 2016	**39,053**	**4,056**	**674**	**1,005**	**536**	**682**	**46,006**
Additions at cost	1,727	3,386	4,066	20	524	243	9,966
Disposals at cost	-	-	-	-	(5)	(75)	(80)
Revaluation Adjustment	3,257	219	-	-	-	-	3,476
At 30 June 2017	**44,037**	**7,661**	**4,740**	**1,025**	**1,055**	**850**	**59,368**
Depreciation and Impairment							
At 1 July 2015	1,385	762	-	-	312	290	2,749
Depreciation charge for the year	164	79	-	21	33	121	418
Accumulated Depreciation on Disposals					(10)	(23)	(33)
At 30 June 2016	**1,549**	**841**	**-**	**21**	**335**	**388**	**3,134**
Depreciation charge for the year	172	164	-	513	74	107	1,030
Accumulated Depreciation on Disposals	-	-	-	-	-	-	-
At 30 June 2017	**1,721**	**1,005**	**-**	**534**	**409**	**495**	**4,164**
Net Book Value							
At 30 June 2016	37,504	3,215	674	984	201	294	42,872
At 30 June 2017	**42,316**	**6,656**	**4,740**	**491**	**646**	**355**	**55,204**

The fair value of freehold land (including forestry land) and improvements (including buildings) are determined by independent valuation. The independent valuation was performed by Bruce Cowper and Kay Maw of Lewis Wright Valuation & Consultancy Ltd, an independent registered valuer. The fair value as per the valuation at 30 June 2017 was $48,965,500 (2016: $40,600,000). Further land and building assets with a book value of $6,253 (2016: $119,243) were not revalued in this valuation.

Fair value is the amount for which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable to those held by the group.

16. Biological Assets (Consumable)

Biological Assets consist of sheep and cattle (Livestock) and plantation trees (Forestry). The group farms livestock for the sale of sheep, lambs, cattle and calves.

(a) Reconciliation of opening balance to closing balance

For the year ended 30 June 2017

	Sheep		Cattle		Forestry		Total
	Quantity	$000	Quantity	$000	Hectares	$000	$000
Opening balance							
As at 1 July	32,869	3,901	5,173	5,848	1,675.2	13,652	23,401
Natural Increase	30,254	3,180	2,095	1,905	-	-	5,085
Purchases	89	94	43	282	-	59	435
Change in Fair Value	-	1,215	-	1,668	-	886	3,769
Sales	(27,460)	(2,605)	(2,161)	(2,512)	(47.6)	(921)	(6,038)
Deaths, Killed & Recoveries	(3,831)	(582)	(158)	(209)	(112.0)	(126)	(917)
Closing Balance							
as at 30 June	31,921	5,203	4,992	6,982	1,515.6	13,550	25,735

16. Biological Assets (Consumable) (continued)

(b) The fair value of biological assets as at end of the year was:

Consumable Biological Assets Group
Livestock

SHEEP

	2017		2016	
	Quantity	**$000**	Quantity	$000
Mature Sheep				
Mixed age ewes	**17,385**	**2,956**	17,717	2,166
Two tooth ewes	**6,190**	**1,119**	5,993	820
Breeding rams	**353**	**87**	257	64
Immature Sheep				
Ewe hoggets	**7,133**	**953**	6,677	655
Ram & wether hoggets	**860**	**88**	2,225	196
Total Sheep	**31,921**	**5,203**	32,869	3,901

CATTLE

	2017		2016	
	Quantity	**$000**	Quantity	$000
Mature Cattle				
Mixed age cows	**1,632**	**2,674**	1,642	2,217
Rising three year heifers	**477**	**921**	528	759
Rising two year heifers	**677**	**977**	595	685
Rising two year steers & bulls	**3**	**3**	87	87
Breeding Bulls	**120**	**512**	113	374
Immature Cattle				
R1 Heifers	**1,087**	**937**	1,099	778
R1 Steers & Bulls	**996**	**958**	1,109	948
Total Cattle	**4,992**	**6,982**	5,173	5,848

FORESTRY

	2017		2016	
	Hectares	**$000**	Hectares	$000
Forest Tree Crop				
Total Forestry	**1,515.6**	**13,550**	1,675.2	13,652
TOTAL BIOLOGICAL ASSETS AS AT 30 JUNE		**25,735**		23,401

16. Biological Assets (Consumable) (continued)
The fair value of livestock is determined by independent valuation as at 30 June 2017. The independent livestock valuation was performed by Gisborne East Coast Farmers Ltd, 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 group has access to, the most relevant market has been used.

The gain on initial recognition of livestock sold is recognised in the statement of comprehensive income in the year of harvest. At time of harvest, wool is recorded as inventory.

The fair value of the forest tree crop is determined by independent valuation. Independent forestry valuation as at 30 June 2017 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 cost 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:

	2017	2016
Appropriate Discount Rate (pre-tax)	**6.5%**	6.5%
Rate of inflation	**2%**	2%
Rate of tax	**28%**	28%

During the year $58,898 (2016: $39,436) of forestry development expenditure was capitalised to the forest asset.

17. Available-for-sale-Financial Assets

	Actual	Budget Unaudited	Actual
	2017	2017	2016
	$000	$000	$000
At fair value			
Shares - unlisted	401	456	385
Shares - listed	2	-	-
	403	456	385

Available-for-sale investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

(a) Listed shares

Their fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

(b) Unlisted shares

Value assumptions

The fair value of the unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions, which are supported by observable inputs. Management believes the estimated fair value resulting from the valuation techniques and recorded in the Statement of Financial Position and the related changes in fair value recorded in equity are reasonable and the most appropriate at the Statement of Financial Position date.

18. Intangible Assets

Intangible assets consist of NZ Emissions Units

Reconciliation of opening balance to closing balance

For the year ended 30 June 2017

	NZ Emission Units Post 1989	
	Quantity	**$000**
Opening Balance as at 1 July	**110,704**	**1,965**
Received by government grant at fair value	**101,000**	**1,732**
Purchased	**-**	**-**
Sales	**(100,000)**	**(1,750)**
Valuation Increase/(Decrease)	**-**	**(31)**
Closing Balance at 30 June	**111,704**	**1,916**

For the year ended 30 June 2016

	NZ Emission Units Post 1989	
	Quantity	**$000**
Opening Balance as at 1 July	110,704	697
Received by government grant at fair value	-	-
Purchased	-	-
Sales	-	-
Valuation Increase	-	1,268
Closing Balance at 30 June	110,704	1,965

19. Capital commitments

There are material capital commitments at 30 June 2017 totalling $6.740 m. (The design and construction of New Building)

20. Contingencies

The Group has a contingent liability in respect of both its pre-1990 and post-1989 forests which are part of the New Zealand Emissions Trade Scheme. Should the Group deforest all of its pre-1990 forests, it would have a liability under the ETS to surrender New Zealand emissions units of approximately $2.703 m determined at 30 June 2017 (2016: $2.798 m). Should the Group experience a decrease in total carbon stocks for all of its post-1989 forests, whether due to events such as harvest or forest fire, it would have a liability under the ETS to surrender New Zealand emissions units of approximately $3.631 million determined at 30 June 2017 (2016: $1.965 m). The amount and timing of any liability is uncertain and is dependent on the occurrence of the circumstances described above and the price of emissions units at the time of deforestation.

21. Cash flow statement reconciliation

Reconciliation of net operation surplus after taxation with cash inflow from operating activities

	Actual	Budget Unaudited	Actual
	2017	2017	2016
	$000	$000	$000
Net operating surplus/(deficit) after taxation	**6,256**	1,844	5,221
Add back non-cash items:			
Depreciation (net)	**949**	423	431
Forest Value revaluation	**161**	-	(5,029)
Livestock revaluation	**(2,436)**	(428)	(878)
Loss/(gain) on disposal of assets	**14**	-	12
Movement in derivative financial instruments	**-**		
taken to the Income Statement	**-**	-	-
Increase/(decrease) in deferred tax liability	**(125)**		
excluding transfers to reserves	**338**	(44)	1,467
Other fixed and investment assets changes/(credits)	**(2,594)**	(20)	(65)
Carbon Credits allocated	**(1,732)**	-	-
Carbon Credits impairment (reversal)	**-**	-	-
	(5,425)	(69)	(4,062)
Add back items classified as financing activity			
Interest received	**-**	-	(3)
Interest paid	**35**	134	29
Gisborne Holdings Audit Fee Accural transferred	**-**		
Subvention payment	**2,548**	1,250	1,021
	2,583	1,384	1,047
Decrease/(increase) in working capital:			
Accounts receiveable and prepayments excluding capital disposal accruals	**(479)**	-	110
Inventories	**(23)**	-	57
Accounts payable and accruals excluding capital expenditure accruals	**531**	-	674
Taxation payable/receivable	**686**	-	(52)
	715	-	789
Net cash inflow from operating activities	**4,129**	**3,159**	**2,995**

The accompanying notes form an integral part of these financial statements

22. Transactions with related parties

During the year the Group paid various expenses to the Gisborne District Council and made sales to the Gisborne District, who is the ultimate sole shareholder of the Group. The amounts charged by and to the Gisborne District Council were based on normal terms and condition of trade. These are outlined below.

	Sales to related parties		Purchases from related parties		Other transactions with related parties	
Related Party	**2017**	2016	**2017**	2016	**2017**	2016
Consolidated	**$000**	$000	**$000**	$000	**$000**	$000
Shareholder:						
Gisborne District Council						
Rates materials and dog registrations paid	**-**	-	**176**	133	**-**	-
Subvention payment	**-**	-	**-**	-	**1,021**	1,000
Management Fee	**120**	105	**-**	-	**-**	-
Rental	**1,608**	868	**-**	-	**-**	-
Property Maintenance	**60**	42				
Fleet Maintenance	**260**	-	**-**	-	**-**	-

No related party debts have been written off or forgiven during the year.

Details relating to key management personnel, including remuneration paid are included below.
Key management personnel include all directors.

Compensation of key management personnel	**2017**	2016
	$000	$000
Short-term employee benefits	**200**	200
Post-employment benefits	**-**	-
Other long term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**-**	-
Employees paid over $100,000 per year		
- $100,000 - $110,000	**1**	-
- $140,000 - $150,000	**1**	**2**

23. Operating Leases

The company has various commercial property leases. The leases run for various terms, and are reviewed as per individual lease agreements.

	2017	2016
	$000	$000
Contracted Future Minimum Rental Income		
Within one year	**918**	2,199
After one year but no more than five years	**1,871**	3,337
After more than five years	**7,470**	7,693
Contracted Future Minimum Rental Expense		
Within one year	**191**	496
After one year but no more than five years	**172**	462
After more than five years	**150**	193

24. Subsequent events

No significant items/events have occurred between year-end and the signing of the financial statements.

25. Government Grants

The Group receives Government grants in the form of forestry, Poplar/Willow establishment and indigenous reversion grants from the Erosion Control Funding Programme. There are no contingencies and unfulfilled conditions relating to these grants at balance date. The amount received for the year ended 30 June 2017 was $89,822 (2016: $90,294).

26. Risk identification and management

The Group has in place policies and procedures to identify areas of significant business risk, and implement procedures to effectively manage those risks. Where appropriate the Board obtains advice directly from external advisors. Once a significant business risk is identified, the Board is advised and corrective action is taken promptly to mitigate and monitor the risk.

27. Capital Management

The Group's capital is its equity which comprises retained earnings. Equity is represented by net assets. The Group manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, and general financial dealings to ensure the Group effectively achieves its objectives and purpose, whilst still remaining a going concern.

28. Performance targets of Gisborne Holdings Limited for the commencing 1 July 2016

The following performance targets have been sent for the 2016/17 financial year

Objective		Performance Target	Performance Result
1	To ensure that the financial targets and strategic direction of GHL are in line with the requirements of GDC.	A draft SOI for GHL will be submitted for approval to GDC by 1 March each year.	Achieved
		A completed SOI will be submitted to GDC by 30 June each year.	Achieved
		The groups accounting return on shareholders' funds (defined as EBIT before subvention payment divided by average shareholder funds employed) of at least 2%.	Achieved 16.78%
		Consolidated ratio of net external debt to net debt plus equity of no more than 10%	Achieved 7.34%
		A minimum five year rolling average Council return on investment in the range of 1-3%. Return being defined as distributions paid to Council over net assets.	Not Achieved 9.3%
		Audited annual accounts will be provided to Council by 20 September each year. (To allow consolidation into the Councils accounts in a timely manner.)	Achieved
2	To ensure that GDC is kept informed of all significant matters relating to its subsidiaries.	At least two progress reports be made to GDC in the financial year (in addition to reporting on specific issues), with at least one presentation to be made to Councillors.	Achieved
		Major matters of urgency are reported to the Performance, Audit and Risk Committee at the earliest opportunity.	Achieved
3	To ensure that GHL directors add value to the company and that their conduct is according to generally accepted standards.	The Chair will conduct a formal evaluation of the GHL directorate annually.	Achieved
		The Company will review the training needs of individual GHL Directors, and ensure training is provided where required.	Achieved

28. Performance targets of Gisborne Holdings Limited for the commencing 1 July 2016 (continued)

	Objective	Performance Target	Performance Result
4	GHL's process for the selection and appointment of directors to the boards of subsidiaries is rigorous, impartial and in accordance with the GDC approved processes.	The process followed for each appointment to a subsidiary board is transparent and fully documented.	Achieved
5	To ensure that GHL returns a distribution to GDC in accordance with the Distribution Policy and with regard to GDC's budgets, and meets other financial targets.	GHL pays a distribution for the 2016/17 financial year in accordance with the distribution policy.	Achieved
6	To ensure that the subsidiary companies return a minimum acceptable distribution as per the SOI of the subsidiary companies.	GHL meets its budgeted level of distribution income.	Achieved
7	To ensure that GHL's procedures for the appointment of directors to subsidiary directorates are open and in accordance with written policy.	That the adopted Directors Policy be followed for any direct appointments made.	Achieved
8	To ensure that the draft subsidiary company SOI's are received on a timely basis for review and comment.	Draft SOI's are to be received by GHL 28 February from the subsidiary companies.	Achieved
9	To ensure that the final subsidiary company SOI's are appropriate, measureable, attainable and timely.	GHL to comment on the draft SOI's within the statutory timeframe of 30 April each year.	Achieved
10	To ensure that the final subsidiary company SOI's are commercially focused documents while also being compatible with the strategic aims of GDC.	GHL will direct the subsidiary companies to produce commercially focused draft SOI's.	Achieved
		GHL will assess the alignment of the SOI's with any specifically notified GDC strategic directive.	Achieved
11	To ensure that the subsidiary company reporting is relevant and timely.	Subsidiary company SOI's to incorporate specific reporting requirements in accordance with legislation and accepted practice.	Achieved
12	To ensure that there are adequate processes for the identification, assessment and management of the risk exposures of the subsidiary companies.	Subsidiary company SOI's to incorporate specific statements regarding the processes for the management of risk exposures.	Achieved

28. Performance targets of Gisborne Holdings Limited for the commencing 1 July 2016 (continued)

Summarised Performance Indicators

	Budget 2016/2017 Unaudited	Achieved 2016/2017
Return on shareholders' funds*	4.00%	**16.78%**
Net external debt/net external debt + equity	14.00%	**9.60%**
5 year rolling average distribution return on investment	3.40%	**9.30%**
Ratio of shareholder funds to total assets	85.70%	**87.17%**

* Total comprehensive income plus subvention payments/
Average Shareholders' funds

Statutory information

Directors holding office during the year

Robert Walter Proudfoot	(Chairman)
Peter Stanley Reeves	
Robert James Telfer	
Matthew Peter Todd	
Ming Yee Lee-Pollard	Appointed 2/12/2016

Entries in the interests' register

General notice of interests declared during the year (Section 140(2) of the Companies Act 1993)
No general notices of interest were notified by directors during the year.

Share dealings (Section 148 of the Companies Act 1993)
No director has had any relevant interest in any shares issued by the Company.

Use of company information (Section 145 of the Companies Act 1993)
During the year the Board received no notices from any director requesting to use Company information received in their capacity as a director which would not otherwise have been available to them.

Directors' insurance (Section 162(7) of the Companies Act 1993)
The Company has insured, and provided indemnities to all its directors against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as directors.
The insurance/indemnity does not cover liabilities arising from criminal convictions

Directors' remuneration (Section 161(2) of the Companies Act 1993)
Directors' remuneration in respect of the year ended 30 June 2017 was as follows:

RW Proudfoot	$73,332
PS Reeves	$36,667
RJ Telfer	$36,667
MP Todd	$36,667
MY Lim-Pollard	$16,667

In addition to directors' fees the following amount for vehicle and expense reimbursement was $3,681 (2016: $5,199)

No other benefits have been provided by the Group to a director for services as a director or in any other capacity. No loans have been made by the Group to a director nor has the Group guaranteed any debts incurred by a director.

Donations

The Group made the following amount of donations during the year ended 30 June 2017 $2,000 (2016: $2,000)

Directory

Directors
Robert Walter Proudfoot (Chairman)
Peter Stanley Reeves
Robert James Telfer
Matthew Peter Todd
Ming Yee Lim-Pollard

Registered office
The Works Building
41 The Esplanade
GISBORNE

Postal address
PO Box 694
GISBORNE
Telephone 06-867 2049

Senior Management
General Manager – Matt Feisst – Tairawhiti Investments (Division of Gisborne Holdings Ltd)
General Manager – Keven Delegat – Tauwhareparae Farms Limited

Auditor
Ernst & Young on behalf of the Office of the Auditor General – David Borrie

Chartered Accountants
Jackson Blakeman – Gisborne Holdings Limited
P O Box 1288
Gisborne
Contact: Debbie Blakeman

Graham and Dobson – Tauwhareparae Farms Limited
P O Box 1247
Gisborne
Contact: Richard Stannard

Bankers
ANZ - Gisborne Branch
PO Box 1246
Gisborne

Solicitors
Grey Street Legal – Gisborne Holdings Limited
PO Box 146
Gisborne

Nolans – Tauwhareparae Farms Limited
P O Box 1141
Gisborne