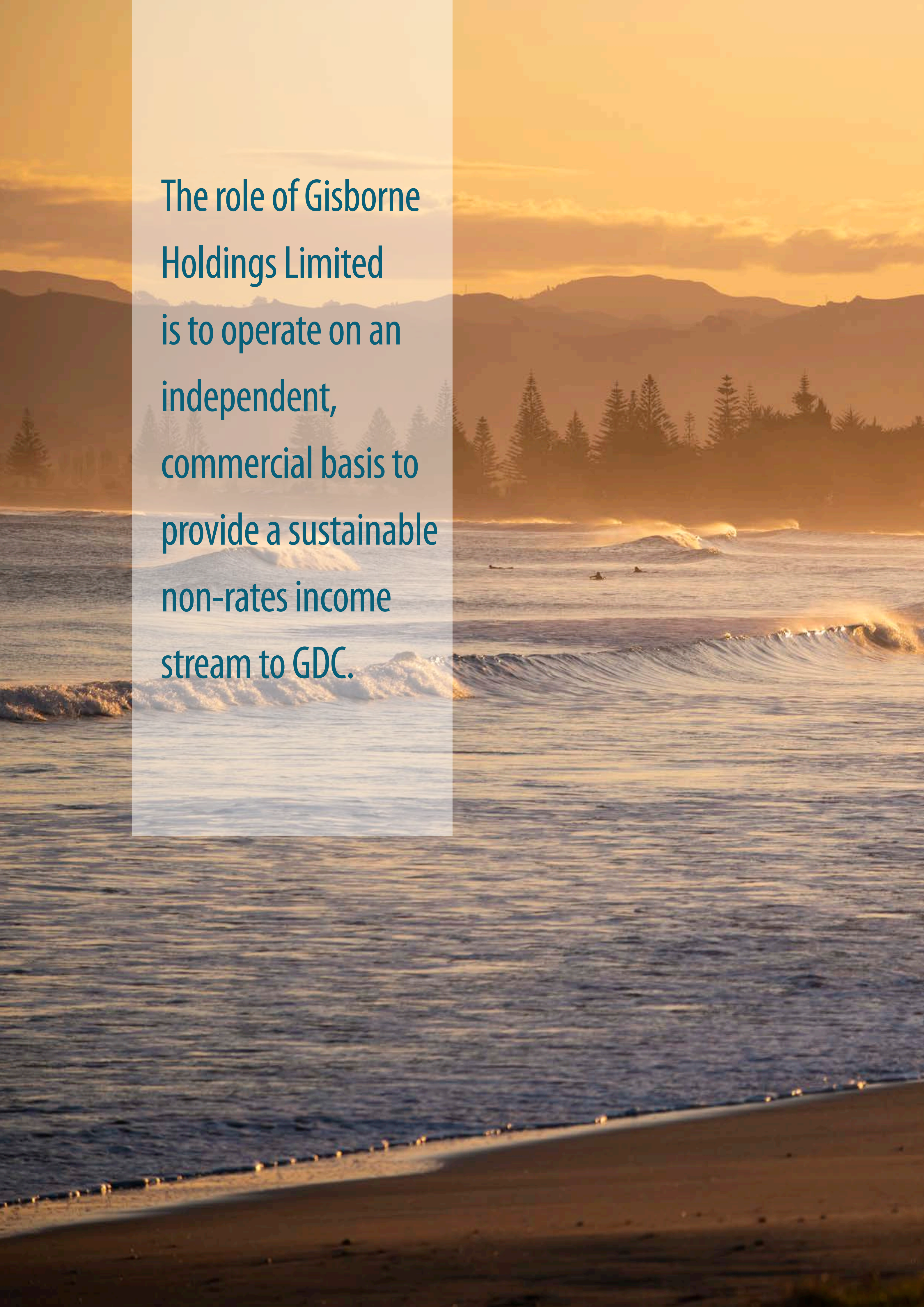
GISBORNE HOLDINGS LTD

Investment for local return

Annual Report 2018/2019

Contents



The role of Gisborne Holdings Limited is to operate on an independent, commercial basis to provide a sustainable non-rates income stream to GDC.

Gisborne Holdings Limited

Gisborne Holdings Limited (GHL) is the commercial arm of Gisborne District Council (GDC). It is a Council-controlled trading organisation (CCTO), being 100% owned by GDC.

It is managed by an independent board of local directors, appointed by its shareholder GDC. The Board are committed to the region and are driven to provide for the district.

The role of GHL is to operate on an independent, commercial basis to provide a sustainable non-rates income stream to GDC.

GHL funds its own activities and receives no funding from Council or from Central Government.

All GHL distributions (dividend and subvention payments) flow directly to GDC to help provide for capital works and subsidise our fellow ratepayer's rates demands.

GHL's aim is to grow the investment portfolio while taking advantage of commercial opportunities across the asset base to increase returns to GDC and provide long term income and capital value resilience.

Accountability to Council:

GHL is accountable to Council through a number of mechanisms, including:

- Approval of GHL's annual Statement of Intent
- Council's appointment of GHL directors
- Regular formal and informal reporting to the Council Finance & Audit Committee
- Provision of six monthly and annual reports

The Group consists of:

Gisborne Holdings Ltd – the parent company with divisions including:

Property Holdings – manages a large and diverse portfolio of commercial, tenant-occupied rentals, farmland and forestry property. This division is also responsible for project managing all the company's developments.

Gisborne Vehicle Testing Station (GVT) – an independent testing station and AA agency. GVT also provides fleet management services.

Waikanae Beach TOP 10 Holiday Park – the region's largest accommodation provider, servicing the tourism sector.

Tauwhareparae Farms Ltd
Comprises three stations – Puketawa, Tamatea and Tauwhare – but is run as a single unit. The operation covers some 11,000 hectares of which around 6,000 is considered effective with the remainder in Protected Management Areas (PMAs), forestry blocks, manuka blocks and native bush. The farm is located 45-kilometers inland from Tolaga Bay and runs from 600-1100m in altitude.

The Board

Rob Telfer

Rob joined the Board of GHL in October 2014 and was appointed chair in 2018. The former Waipaoa Station sheep and beef farmer was one of the driving forces behind the establishment of the Waipaoa Station Cadet Training Trust. He is president of the Poverty Bay A & P Show Association.

Peter Reeves

Peter has been on the GHL Board since November 2009 and is from a family who have farmed on the East Coast since 1863. Peter is Gisborne chair of the OSPRI TB Free Committee, a member of the Whangara Business Group, an executive committee member of the National Party's East Coast branch and is active in the Eastland Hereford Club.

Ming Lim-Pollard

Ming joined GHL board of directors in December 2016. She has over 25 years banking and accounting experience. She is a Chartered Accountant and is a Barrister and Solicitor in the New Zealand High Court. She is currently a director of several companies and an advisory board member of charitable trusts and non-profit organisations.

Dave Mullooly

Dave has lived, worked, played and contributed to the Tairawhiti district all his life. He brings to the board 30-plus years of business experience, predominantly in the automotive and convenience industry. He is chair of the BP2Go Cooperative Company and has a compliance project role with members of the New Zealand Agricultural Aviation Association, liaising with WorkSafe New Zealand.

Andrew Allan

Gisborne born and bred, Andrew is the East Coast area manager for Rabobank NZ (Global Cooperative Bank). His work involves all aspects of corporate risk management and assessment, compliance, portfolio management, leadership, corporate social responsibility and community engagement.

From left: Rob Telfer, Peter Reeves, Ming Lim-Pollard, Dave Mullooly, Andrew Allan


MORERE HOT SPRINGS 57KM
SURFING W FRANK
MAHIA ROCKET LAB 90KM
RERE ROCKSLIDE 40KM
KAITI HILL LOOKOUT 1KM
WAIKANAE BEACH
SUNSHINE BREWERY
Haere Mai
• All visitors please report to office.
• Guest vehicles only past this point.
• Animals prohibited.
TOP 10 Holiday Parks Superior

From the Chair & CEO

Performance

Income (excluding revaluations) rose 6% on the previous year to $16.4m. Despite a significant increase in forestry costs, profit (excluding revaluations and tax) rose 3% to $3.3m.

Revaluations of -$0.7m were $8.4m lower than the previous year largely due to an $8.0m unfavorable movement in the forestry valuation. The movement in revaluations does not impact the distribution to GDC as it is based on the cash profit.

The group's return on shareholder's funds for the year was 3%, the average return over the past three years is 10%. The Company's strategy is to accumulate assets for future higher returns. The Board did not intend to sell tradeable assets, carbon credits or land to boost income unnecessarily.

Equity rose 5% ($5.0m) in the year to $98.8m. A total increase of 20% since June 2017. June 2017 is when all assets were tranferred across from GDC.

Total assets increased 10% ($11.7m) in the year to $127.0m. This is a 35% increase in asset value since June 2017.

Specific bank borrowings rose $5.9m as the final tranche of the Fitzherbert development facility was drawn down and land purchases at Banks Street and Childers Road settled. All other targeted capital investment, including six new units and a covered pool at the Waikanae Beach Holiday Park, a new manager's house, fencing and a water reticulation scheme on Tauwhareparae Farms, was cashflow funded.

In response to GDC's need to expand its wastewater treatment plant we assessed the land GHL owned adjacent to the current plant. Based upon the existing businesses, investment and returns being made from property we determined it would be more prudent to purchase an additional block of bare land to accommodate the expansion rather than disrupt existing businesses. We successfully secured the land in late 2018.

Distribution

GHL will make a cash distribution of $1.8m to GDC, up 6% ($100k) on prior year and in line with our Statement of Intent.

GDC's decision to retain its commercial business assets through the establishment of GHL has seen GHL commit over $6m in distributions to the Council since 2017.

The Team

We see our biggest strength as having the buy-in of all divisions and staff to enhancing and growing the company. We are grateful to all the staff for their effort and contribution to the success of the company throughout the year.

Sophie Ricard joined the team in August 2018 to develop and lead the finance division. She has had a busy year building up a team, centralising processes and creating synergies as well as delivering on a programme of digital transformation in relation to Tauwhareparae Farms which has been brought in house.

Jeremy Raymond started with GHL in February 2019 as the interim manager for the Holiday Park and has since taken a permanent role as GM – Commercial Operations. He is now overseeing both the Holiday Park and Gisborne Vehicle Testing Station.

Rob Budd, GM – Commercial Property and Projects, is building capability within his team to meet the management and delivery demands of an array of diverse projects and new business ideas.

Keven Delegat, GM – Tauwhareparae Farms, continues to lead and develop a young team to achieve high performance results in both sheep and beef hill country farming operations.

We are focusing on breaking down the business silos and ensuring our management team can work across the divisions to strengthen and future proof the business model from personnel changes.

Health and Safety

We are committed to health and safety, partnering with Safe-on-Site to audit our practices and work with us to ensure best practice. We were fortunate to be able to participate in the Mates in Tairawhiti suicide awareness and prevention programme (an Eastland Group initiative) which we rolled out on Tauwhareparae Farms.

Moving Forward

The next stage of the Holiday Park development is underway with upgrades to the 10 motel units progressing well. These units currently have a negative impact on the Park's overall Net Promotor Score (the TOP Ten equivalent of the Qualmark standard), so refurbishment was essential. The first stage of this work is due for completion in October 2019, ahead of the busy summer period.

We are also continuing with a programme of work to upgrade all staff accommodation on Tauwhareparae Farms.

Business cases for the various options regarding the development of the Childers Road land purchased in late 2018 are underway. All options are being explored to ensure a best returns and best for region outcome.

Feasibility studies are also underway for commercial ventures that complement our existing businesses.

With Thanks

Firstly, we would like to acknowledge Bob Proudfoot's contribution to the board and thank him for his tireless dedication in helping get GHL to the position it is in today. He was passionate and committed to growing GHL for the benefit of the Tairawhiti region.

We welcomed Andrew Allan to the board during the year. He brings with him a wealth of invaluable business and financial experience.

We thank the directors, senior management team and all GHL staff for their dedication and commitment to the Company. We look forward to working together with you all to achieve our objectives and projects in the coming year.

R.J. Telfer

Rob Telfer
Chairperson

Tracey Johnstone
CEO

$1.8m distribution to Gisborne District Council for the year.

Performance Overview

Farming Operations

The farm produced another solid result with Gross Profit (excluding revaluations) rising 12% ($0.5m) on the previous year, due in part to strong commodity prices. Profit before tax rose 8% ($0.2m) on the prior year.

Despite lambing being down 6% (c 1,700 lambs lost due to a severe storm over the lambing period), TFL still managed to meet its 20,000 supplier commitment to Ovation as well as increasing the average carcass weight by 0.4kg per lamb compared to the previous season.

2,661 calves were born, up 250 on the previous season due to a 1% increase in calving percentage and an increased number of heifers being calved.

Investment in infrastructure continues to be a priority:

- 12km of new/replacement conventional fencing completed during the year across the three stations, compared with 10km of new fencing in the prior year
- A further 12km of new fencing was established on Puketawa Station to fence off harvested forestry areas
- 90km of water reticulation completed during the year on Tauwhare Station
- A new three bedroom house was built on Tamatea Station
- Staff accommodation is a priority and to that end we have commenced an upgrade works programme.

Fertiliser usage and placement across the farm is carefully considered to lessen our impact on the environment. We are also committed to maintaining a 30m riparian strip when replanting harvested forestry areas to better protect the waterways.

Forestry Operations

Revenue was in line with the prior year at $4.2m. One of the most challenging blocks on the Farm was harvested in the year; the terrain, compartment size and area of native bush contained within the block made it very uneconomical.

Costs were up 31% ($0.9m) on the prior year due to an increase in logging costs, road maintenance and skid rehabilitation. Overall profit before tax fell 81% ($0.9m) compared with the previous year.

The harvesting contractor finished in March and we have taken this opportunity to undertake a full assessment of the forestry operations to ensure we optimise land use and future returns as well as capitalising on all opportunities available.

Maintenance and capital roading costs remain a threat to the profitability of the forestry operations through high cartage costs. We are therefore progressing with a feasibility study to develop our own quarry. The establishment of the Wairangi Road is crucial to this and to the extraction of large areas of our forest.

We have invested in forward roading and now have access to over a year's worth of forest harvesting when operations recommence.

Maintenance and capital roading costs remain a threat to the profitability of the forestry

Commercial Property and Projects

Over the last 12 months GHL has had maximum occupancy for all of its leases and rented properties resulting in a 16% ($326k) increase in income.

On average, 8% of gross rental income is re-invested back into the properties through R&M. This continual investment together with additional capital expenditure of $16.6m, has contributed to the investment portfolio increasing 464% from $7.3m to $33.9m over the past three years.

The team has successfully managed a range of projects throughout the year including:

- Delivery of six fully-serviced high-end apartments for the Waikanae Beach TOP 10 Holiday Park. The apartments were finished right on time and under budget.
- The completion of a project to enclose our award-winning pool at the Waikanae Beach TOP 10 Holiday Park allowing guests year-round use of the facility.
- A new 220m² three-bedroom two-bathroom manager's home in a remote location for Tauwhareparae Farms in an extremely short duration of only four months.

We would like to take this opportunity to acknowledge and thank the range of contractors who have worked with us throughout the year.

The team were very pleased to hear that our 2018 constructed administration building for our tenant Gisborne District Council was a winner of the Commercial Architecture Award in the 2019 New Zealand Institute of Architects Gisborne Hawke's Bay Architecture Awards.

Waikanae Beach TOP 10 Holiday Park

Gross Profit grew 10% ($143k) due to an increase in accommodation revenue and an improvement in the GP ratio resulting from improved management practices.

Camp site guest nights reduced by over 20% from prior year, the third consecutive annual decrease, attributable largely to the increase in freedom camping and the introduction of the Motor Home Association Camp Site.

These statistics reaffirm GHL's investment decision to increase the roofed accommodation offering in the Park, with the completion of six ocean view apartments in late December.

These units together with the creation of the indoor heated pool bring a new dynamic to the park with both additions receiving positive reviews. We are also exploring ways to further enhance the guest offerings.

In line with national trends, domestic guest numbers rose from 64% to 70% this year, with 6% coming from the Tairawhiti region. International travellers are at a three-year low so this increase in domestic guests is very welcome.

We are utilising on-line review tools to help inform our R&M spend, with significant upgrades to the shower blocks and movie room being carried out in the year. A move to gas heating and timer controlled showers also provides for a more environmentally-sustainable option.

The Park is one of the only TOP 10 holiday parks that employ 100% locally-based employees, with other parks relying on internationals on working holiday visas.

The Park is one of the only TOP 10 holiday parks that employ 100% locally-based employees.

Vehicle Testing

GVT produced a minor increase in Gross Profit of 3% or $25k off the back of a 22% increase in AA commissions and a 6% increase in fleet maintenance work compared to the previous year.

AA transactions for the financial year were over 26,000 which again placed the Gisborne agency as the most productive centre in New Zealand.

GVT became a sponsor of the Thistle Football Club first division team, in return for naming rights and advertising.

GISBORNE HOLDINGS LTD

Investment for local return

Financial Statements

DIRECTORS' REPORT 2019

Annual Report
For the year ended 30 June 2019

The Board of Directors present their annual report, including the financial statements, for Gisborne Holdings Limited for the year ended 30 June 2019 and the auditor's report thereon.

For and behalf of the Board of Directors:

R J Telfer

M Lim-Pollard

20 September 2019

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF GISBORNE HOLDINGS LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of Gisborne Holdings Limited and its subsidiaries ("the Group"). The Auditor-General has appointed me, David Borrie, using the staff and resources of Ernst & Young, 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 19 to 47, that comprise the statement of financial position as at 30 June 2019, 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 pages 48 to 49.

In our opinion:

- the financial statements of the Group on pages 19 to 47:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; 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 with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 48 to 49 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 2019.

Our audit was completed on 20 September 2019. 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, we comment on other information, and we explain our independence.

Basis for our 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.

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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.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's statement of intent.

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.

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- 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 financial statements and the 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 15 and 50 to 51, 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

Statement of comprehensive income for the year ended 30 June 2019

	Notes	**Actual** **2019** **$000**	Budget Unaudited 2019 $000	Actual 2018 $000
Revenue from contracts with customers				
- Tauwhareparae Farms Limited		**11,133**	12,884	10,646
- Property Holdings		**184**	170	170
- Gisborne Vehicle Testing Station		**1,183**	1,322	1,172
- Waikanae Holiday Park		**1,775**	1,746	1,638
Total Revenue from contracts with customers	5.1	**14,275**	**16,122**	**13,626**
Revenue other				
- Rental Income		**2,156**	2,145	1,844
- Change in Valuation of Investment Property, Livestock, Forestry & Carbon Credits		**(734)**	(3)	7,688
Total Revenue other		**1,422**	**2,142**	**9,532**
Total Revenue		**15,697**	**18,264**	**23,158**
Cost of Sales				
- Tauwhareparae Farms Limited		**6,426**	7,816	5,513
- Property Holdings		**652**	646	863
- Gisborne Vehicle Testing Station		**243**	371	257
- Waikanae Holiday Park		**248**	255	254
Total Cost of Sales		**7,569**	9,088	6,887
Gross Profit		**8,128**	9,176	16,271
Other Income				
- Interest Received		**-**	-	-
- Income Recovered		**-**	-	48
Total Other Income		**-**	-	48
Total Income		**8,128**	9,176	16,319
Expenditure from continuing operations				
- Salaries and Wages		**3,175**	2,907	3,128
- Administrative Expenditure		**1,168**	1,139	1,028
- Depreciation		**644**	1,000	1,053
- Loss on sale of assets		**62**	-	4
- Financing Expenditure		**544**	410	238
Total expenditure		**5,593**	5,456	5,451
Net Operating Profit/(Loss) before taxation	5.2	**2,535**	3,720	10,868
Subvention Payment – Gisborne District Council		**(600)**	(1,800)	(1,300)
Taxation (expense) / credit	8	**306**	(316)	(1,503)
Net Profit / (Loss) for the period		**2,241**	1,604	8,065

Statement of comprehensive income (continued) for the year ended 30 June 2019

	Notes	**Actual 2019 $000**	Budget Unaudited 2019 $000	Actual 2018 $000
Other comprehensive income				
Revaluation gain on property, plant and equipment	15	**2,422**	-	3,497
Deferred tax on building revaluations		**72**	-	(32)
Revaluation gain/(loss) on carbon credits		**296**	-	417
Deferred tax on carbon credits revaluation		**(83)**	-	(117)
Other comprehensive income for the year attributable to owners of the parent		**2,707**	-	3,765
Net profit/(loss) for the year		**2,241**	1,604	8,065
Total comprehensive income for the year attributable to the owners of the parent		**4,948**	1,604	11,830

Statement of changes in equity
for the year ended 30 June 2019

	$000 Ordinary Shares	$000 Asset Revaluation Reserve	$000 Carbon Credit Revaluation Reserve	$000 Fair Value Reserve	$000 Retained Earnings	$000 Total
At July 2018	**33,061**	**38,515**	**384**	**(5)**	**21,900**	**93,855**
Net profit/(loss) for the year	**-**	**-**	**-**	**-**	**2,241**	**2,241**
Other comprehensive income	**-**	**2,494**	**213**	**-**	**-**	**2,707**
Realised gains on sale	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**2,494**	**213**	**-**	**2,241**	**4,948**
Transactions with owners in their capacity as owners						
Shares Issued	**417**	**-**	**-**	**-**	**-**	**417**
Dividend	**-**	**-**	**-**	**-**	**(400)**	**(400)**
At 30 June 2019	**33,478**	**41,009**	**597**	**(5)**	**23,741**	**98,820**

Statement of changes in equity
for the year ended 30 June 2018

	$000 Ordinary Shares	$000 Asset Revaluation Reserve	$000 Carbon Credit Revaluation Reserve	$000 Fair Value Reserve	$000 Retained Earnings	$000 Total
At July 2017	33,061	35,050	84	(5)	13,835	82,025
Net profit/(loss) for the year	-	-	-	-	8,065	8,065
Other comprehensive income	-	3,465	300	-	-	3,765
Realised gains on sale	-	-	-	-	-	-
Total comprehensive income for the year	-	3,465	300	-	8,065	11,830
Transactions with owners in their capacity as owners						
Shares Issued	-	-	-	-	-	-
At 30 June 2018	33,061	38,515	384	(5)	21,900	93,855

Statement of financial position
as at 30 June 2019

	Notes	**Actual 2019 $000**	Budget Unaudited 2019 $000	Actual 2018 $000
Contributed equity	6	**33,478**	33,061	33,061
Retained Earnings	7	**23,741**	17,697	21,900
Reserves	7	**41,601**	35,439	38,894
Total equity		**98,820**	86,197	93,855
Represented by:				
Financial assets				
Cash and cash equivalents		**2,972**	448	438
Trade and other receivables	10	**855**	734	816
Inventories	11	**195**	63	168
Total financial assets		**4,022**	1,245	1,422
Current liabilities				
Bank	12	**19,694**	3,060	10,289
Payables and accruals	13	**2,040**	1,672	1,868
Gisborne District Council - Current Account		**413**	1,800	1,300
Taxation		**551**	316	1,452
Total current liabilities		**22,698**	6,848	14,909
Net working capital		**(18,676)**	(5,603)	(13,487)
Non-current assets				
Investment Property	14	**34,334**	18,405	26,366
Property, plant & equipment	15	**59,958**	58,663	54,781
Biological assets	16	**24,184**	25,691	29,250
Equity Instruments at fair value through other comprehensive income	17	**464**	438	438
Investments in shares	17	**2**	-	2
Intangible assets - NZ Emission Units	18	**4,019**	4,190	3,032
Total non-current assets		**122,961**	107,387	113,869
Non-current liabilites				
Deferred Tax	8	**5,465**	5,587	6,527
Loans		**-**	10,000	-
Total non-current liabilites		**5,465**	15,587	6,527
Net assets		**98,820**	86,197	93,855

For and on behalf of the Board, who authorise the issue of these financial statements on 20 September 2019

RJ Telfer **M Lim-Pollard**

Statement of cash flows for the year ended 30 June 2019

	Notes	**Actual 2019 $000**	Budget Unaudited 2019 $000	Actual 2018 $000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		**14,918**	18,598	15,678
Goods and services tax (net)		**7**	(742)	69
		14,925	17,856	15,747
Cash was distributed to:				
Payments to suppliers & employees		**11,335**	13,951	11,491
Income tax refunds payments / (refunds)		**1,598**	-	-
		12,933	**13,951**	**11,491**
Net cash inflow / (outflow) from operating activities	21	**1,992**	3,905	4,256
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of fixed assets		**38**	-	55
Proceeds from sale of carbon credits		**-**	-	-
		38	-	55
Cash was applied to:				
Purchase of fixed assets		**5,988**	3,252	9,539
Forest asset expenditure		**241**	-	159
Development expenditure		**228**	-	547
Carbon credits expenditure		**3**	-	18
		6,460	3,252	10,263
Net cash inflow / (outflow) from investing activities		**(6,422)**	(3,252)	(10,208)
Cash flows from financing activities				
Cash was provided from:				
Term Loan		**-**	-	-
		-	-	-
Cash was applied to:				
Dividends & subvention payment paid		**1,700**	1,500	2,548
GDC Current Account		**197**	-	-
Interest paid		**544**	410	238
		2,441	1,910	2,786
Net cash inflow / (outflow) from financing activities		**(2,441)**	(1,910)	(2,786)
Net increase / (decrease) in cash held		**(6,871)**	(1,257)	(8,744)
Opening cash brought forward		**(9,851)**	(1,355)	(1,107)
Ending cash carried forward		**(16,722)**	(2,612)	(9,851)
Cash at year end:				
Cash and cash equivalents		**2,972**	448	438
Bank wholesale advances		**(19,694)**	(3,060)	(10,289)
Ending cash carried forward		**(16,722)**	(2,612)	(9,851)

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 and its 100% owned subsidiaries.

The Financial Statements for Gisborne Holdings Limited are for the year ended 30 June 2019. The Financial Statements were authorised on 20 September 2019.

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 of Property Development
- Operation of Waikanae Holiday Park
- Operation of Gisborne Vehicle Testing Station
- 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.

The financial statements are prepared on a going concern basis. The current loan facility with ANZ expires on 22 September 2019 however we have entered a new agreement which is for a term of 2 year.

(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.

2. Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations

In these financial statements, GHL has applied IFRS 15 & 9, effective for annual periods beginning on or after 1 January 2018, for the first time.

1.1 NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 establishes a five-step model to account for revenue arising from contractors with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity to be entitled in exchange for transferring goods or services to customer.
NZ IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contract with their customers.
The Group adopted NZ IFRS 15 using the full retrospective method, there has been no impact on GHL's revenue recognition.

1.2 NZ IFRS 9 Financial Instruments

NZ IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018.

(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 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 Financial assets are 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.

2. Summary of significant accounting policies (continued)

(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.

(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) Investments and other financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS)) have been replaced by:

• Debt instruments at amortised cost

• Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition

• Equity instruments at FVOCI, with no recycling of gains or losses o profit or loss on derecognition

• Financial assets FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms.

Debt instruments at FVOCI (Policy applicable from 1 January 2018)

The Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

• The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets

• The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise assets that had previously been classified as financial investments available for-sale under IAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

Equity instruments at FVOCI (Policy applicable from 1 January 2018)

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

2. Summary of significant accounting policies (continued)

(j) 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 2019.

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

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.

2. Summary of significant accounting policies (continued)

(k) 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.

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.

(l) 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.

(m) 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.

2. Summary of significant accounting policies (continued)

(n) 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.

(o) 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.

(p) 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.

(q) 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.

2. Summary of significant accounting policies (continued)

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.

(r) 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.

(s) Revenue

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(t) 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.

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 land, buildings and investment property.
The company has included land, buildings and investment property at fair value and movements in fair value are recognised in comprehensive income. The fair value of land, buildings and investment property have been determined by independent property valuers.

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.

5.1 Revenue from contracts with customers

	Tauwhareparae Farms Limited	Property Holdings	Gisborne Vehicle Testing Station	Waikanae Holiday Park	TOTAL
	$000	$000	$000	$000	$000
Major Goods					
LiveStock	6,341	-	-	-	**6,341**
Wool	392	-	-	-	**392**
Forestry	4,158	-	-	-	**4,158**
Other	188	-	-	61	**249**
Total Goods	**11,079**	**-**	**-**	**61**	**11,140**
Major Services					
Vehicle Inspections	-	-	639	-	**639**
Maintenance on Fleet	-	-	368	-	**368**
Accommodations	-	-	-	1,692	**1,692**
Other	54	184	176	22	**436**
Total Services	**54**	**184**	**1,183**	**1,714**	**3,135**
Total	**11,133**	**184**	**1,183**	**1,775**	**14,275**

5.2 Net operating surplus before taxation

	Actual	Budget Unaudited	Actual
	2019	2019	2018
	$000	$000	$000
After crediting:			
Depreciation recovered			
- Motor Vehicles	**-**	-	10
- Plant and equipment	**-**	-	3
After charging:			
Audit fees	**61**	80	61
Depreciation:			
- Buildings & Improvements	**385**	500	837
- Plant and equipment	**117**	250	92
- Motor Vehicles	**142**	250	123
Directors' fees	**200**	200	198
Employee benefit expenditure	**2,921**	2,907	3,128
Interest expense:			
- Short term Advance Facility	**435**	-	159
- Overdraft	**109**	-	79

6. Contributed equity

	Actual	Budget Unaudited	Actual
	2019	2019	2018
	$000	$000	$000
Issued and paid up			
Balance at 1 July	**33,061**	33,061	33,061
Issued Share Capital	**417**	-	-
Balance at 30 June	**33,478**	33,061	33,061

7. Retained Earnings and Reserves

	Actual	Budget Unaudited	Actual
	2019	2019	2018
	$000	$000	$000
Retained Earnings			
Balance 1 July	**21,900**	16,092	13,835
Net Profit attributable to equity holders	**2,241**	1,604	8,065
Dividend	**(400)**	-	-
Balance 30 June	**23,741**	17,696	21,900
Asset Revaluation Reserve			
Balance 1 July	**38,515**	35,050	35,050
Revaluation of Land	**2,644**	-	3,302
Revaluation of other land improvements	**339**	-	135
Revaluation of Buildings	**(561)**	-	60
Deferred tax on buildings revaluation	**72**	-	(32)
Balance 30 June	**41,009**	35,050	38,515
Fair Value Reserve			
Balance 1 July	**(5)**	(5)	(5)
Revaluation of Investments	-	-	-
Balance 30 June	**(5)**	(5)	**(5)**
Carbon Credit Revaluation Reserve			
Balance 1 July	**384**	394	84
Revaluation of Carbon Credits	**296**	-	417
Deferred tax on Carbon Credits revaluation	**(83)**	-	(117)
Realised gain on sale of Carbon Credits	**-**	-	-
Balance 30 June	**597**	394	384
Total Closing Balance Revaluation Reserves	**41,601**	35,439	38,894

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.

8. Income Tax

	Actual	Budget Unaudited	Actual
	2019	2019	2018
	$000	$000	$000
(a) Income Tax			
The major components of income tax expenses are:			
Income Statement			
Current income tax			
Current period income tax charge	**767**	316	711
Prior period adjustment	**-**	-	-
Deferred income tax			
Relating to origination and reversal of temporary differences	**(1,073)**	-	792
Income tax expense/(credit) reported in the income statement	**(306)**	316	1,503
(b) Amounts charged or credited directly to other comprehensive income			
Relating to revaluation of Carbon Credits	**83**	-	117
Relating to revaluation of buildings	**(72)**	-	32
Income tax expense reported in other comprehensive income	**11**	-	149
(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	**1,935**	-	9,568
Total accounting profit/(loss) before income tax	**1,935**	-	9,568
At the Group's statutory income tax rate of 28% (2018 : 28%)	**542**	-	2,679
Herd Livestock Adjustment	**(131)**	-	(202)
Imputation credits on dividends received	**-**	-	-
Non-deductible income and expenses	**(717)**	-	(974)
Aggregate income tax expense/(Credit)	**(306)**	-	1,503
Aggregate income tax expense/(Credit) is attributable to:			
Continuing operations	**(306)**	-	1,503
	(306)	-	1,503

8. Income Tax (continued)

	Actual	Budget Unaudited	Actual
	2019	2019	2018
	$000	$000	$000
(d) Recognised deferred tax assets and liabilites			
Deferred income tax at 30 June relates to the following			
(i) Deferred tax liabilites			
Biological Assets	**3,517**	5,100	5,065
Accelerated depreciation: buildings, plant & equipment, motor vehicles	**869**	200	654
Other	**(46)**	-	(41)
NZ Emission Units	**1,125**	287	849
Gross deferred tax liabilities	**5,465**	5,587	6,527
Set-off of deferred tax assets	**-**	-	-
Net deferred tax liabilities	**5,465**	5,587	6,527

9. Subvention Payments Paid

Paid during the year			
Subvention payment 2018			2,548
Subvention payment 2019	**1,300**	1,500	
	1,300	1,500	2,548

10. Financial assets at fair value through profit or loss

	Actual	Budget Unaudited	Actual
	2019	2019	2018
	$000	$000	$000
Trade receivables	**596**	681	614
Other receivables	**18**	-	13
	614	681	627
Related party payable Gisborne District Council	**241**	53	189
Balance at 30 June	**855**	734	816

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	Budget Unaudited	Actual
	2019	2019	2018
	$000	$000	$000
Farm supplies on hand	**67**	28	105
Wool on hand	**101**	15	27
Goods for sale	**27**	20	36
Balance at 30 June	**195**	63	168

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

12. Bank

Working Capital facility with a limit of $3.5 million together with $15.9 million short term facilities are in place with ANZ Bank New Zealand Limited. The facilities are secured by way of a general security agreement. The balance at 30 June 2019 was $19.694m (2018: $10.289m) offset by $2.971m cash balances (2018: $0.438m).

13. Payables and accruals

	Actual	Budget Unaudited	Actual
	2019	2019	2018
	$000	$000	$000
Trade creditors and accruals	**1,807**	1,672	1781
Lease incentive liability	**0**		0
Accrued staff entitlements	**233**		87
	2,040	1,672	1,868
Related party payable Gisborne District Council	**413**	1,800	1,300
Balance at 30 June	**2,453**	3,472	3,168

Fair Value

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

14. Investment Property

For the year ended 30 June 2019

	Land	**Buildings**	**Total**
	$000	**$000**	**$000**
Cost or valuation			
At 1 July 2017	5,506	4,341	9,847
Additions at cost	-	12,884	12,884
Disposals at net book value	-	-	-
Revaluation Adjustment	2,201	1,434	3,635
At 30 June 2018	**7,707**	**18,659**	**26,366**
Additions at cost	3,817	274	4,091
Disposals at net book value	-	-	-
Revaluation Adjustment	2,783	1,094	3,877
At 30 June 2019	**14,307**	**20,027**	**34,334**

The Group's investment properties consist of seven properties (2018: 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 2019, 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 $2.065m (2018: $0.9m). Direct operating expenses generating rental income was $0.402m (2018: $0.263m).

15. Property plant and equipment

	Freehold Land &	Buildings	Construction in Progress	Leasehold Improvements	Plant & Equipment	Motor Vehicles	Total
	$000	$000	$000	$000	$000	$000	$000
Year ended 30 June 2018							
At 1 July net of accumulated depreciation and impairment	**42,316**	**6,656**	**4,740**	**491**	**646**	**355**	**55,204**
Additions at cost	496	53	832	3	208	348	1,940
Disposals and transfers	-	-	(4,740)	-	(4)	(64)	(4,808)
Revaluation Adjustment	3,374	123	-	-	-	-	3,497
Depreciation charged for the year	(181)	(164)	-	(492)	(92)	(123)	(1,052)
At 30 June net of accumulated depreciation and impairment	**46,005**	**6,668**	**832**	**2**	**758**	**516**	**54,781**
Year ended 30 June 2019							
At 1 July net of accumulated depreciation and impairment	**46,005**	**6,668**	**832**	**2**	**758**	**516**	**54,781**
Additions at cost	477	3,383	2	-	301	99	4,263
Disposals and transfers	-	-	(784)	-	(11)	(68)	(863)
Revaluation Adjustment	2,983	(561)	-	-	-	-	2,422
Depreciation charged for the year	(181)	(204)	-	-	(117)	(142)	(644)
At 30 June net of accumulated depreciation and impairment	**49,284**	**9,286**	**50**	**2**	**931**	**405**	**59,958**

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, independent registered valuers. The fair value as per the valuation at 30 June 2019 was $58.497m (2018: $52.653m). Further land and building assets with a book value of $0.073m (2018: $0.018m) 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 2019

	Sheep		Cattle		Forestry		Total
	Quantity	$000	Quantity	$000	Hectares	$000	$000
Opening balance							
As at 1 July	30,814	5,625	5,467	7,014	1,459	16,611	29,250
Natural Increase	30,696	4,280	2,661	2,131	-	-	6,411
Purchases	49	50	47	210	70	236	496
Change in Fair Value	-	132	-	214	-	(4,819)	(4,473)
Sales	(24,994)	(3,453)	(2,551)	(2,888)	(54)	(365)	(6,706)
Deaths, Killed & Recoveries	(3,585)	(618)	(146)	(176)	(34)	-	(794)
Closing Balance as at 30 June	32,980	6,016	5,478	6,505	1,441	11,663	24,184

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

	2019 Quantity	$000	2018 Quantity	$000
Mature Sheep				
Mixed age ewes	**17,118**	**3,217**	16,479	3,049
Two tooth ewes	**6,841**	**1,423**	6,772	1,382
Breeding rams	**244**	**61**	269	67
Immature Sheep				
Ewe hoggets	**7,341**	**1,136**	7,156	1,114
Ram & wether hoggets	**1,436**	**179**	138	13
Total Sheep	**32,980**	**6,016**	30,814	5,625

CATTLE

	2019 Quantity	$000	2018 Quantity	$000
Mature Cattle				
Mixed age cows	**1,726**	**2,406**	1,697	2,454
Rising three year heifers	**550**	**866**	632	1,008
Rising two year heifers	**774**	**879**	779	949
Rising two year steers & bulls	**13**	**12**	11	10
Breeding Bulls	**130**	**500**	156	785
Immature Cattle				
R1 Heifers	**1,051**	**762**	1,100	852
R1 Steers & Bulls	**1,234**	**1,080**	1,092	956
Total Cattle	**5,478**	**6,505**	5,467	7,014

FORESTRY

	2019 Hectares	$000	2018 Hectares	$000
Forest Tree Crop				
Total Forestry	**1,441**	**11,663**	1,459	16,611
TOTAL BIOLOGICAL ASSETS AS AT 30 JUNE		**24,184**		29,250

16. Biological Assets (Consumable) (continued)

The fair value of livestock is determined by independent valuation as at 30 June 2019. 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 2019 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:

	2019	2018
Appropriate Discount Rate (pre-tax)	**6.0%**	6.0%
Rate of inflation	**1.5%**	2%
Rate of tax	**28%**	28%

During the year $0.236m (2018: $0.16m) of forestry development expenditure was capitalised to the forest asset.

17. Equity Instruments

	Actual	Budget Unaudited	Actual
	2019	2018	2018
	$000	$000	$000
At fair value			
Shares - unlisted	**464**	-	438
Shares - listed	**2**	-	2
	466	-	440

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 2019

	NZ Emission Units Post 1989	
	Quantity	**$000**
Opening Balance as at 1 July	**144,382**	**3,032**
Received by government grant at fair value	**30,000**	**691**
Purchased	**-**	**-**
Sales	**-**	**-**
Valuation Increase/(Decrease)	**-**	**296**
Closing Balance at 30 June	**174,382**	**4,019**

For the year ended 30 June 2018

	NZ Emission Units Post 1989	
	Quantity	**$000**
Opening Balance as at 1 July	111,704	1,916
Received by government grant at fair value	32,678	699
Purchased	-	-
Sales	-	-
Valuation Increase/(Decrease)	-	417
Closing Balance at 30 June	144,382	3,032

19. Capital commitments

There are no material capital commitments at 30 June 2019.

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 $3.633m determined at 30 June 2019 (2018: $3.3m). 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 $6.325m determined at 30 June 2019 (2018: $5.132m). 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. 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	**2019**	2018	**2019**	2018	**2019**	2018
Consolidated	**$000**	$000	**$000**	$000	**$000**	$000
Shareholder:						
Gisborne District Council						
Rates materials and dog registrations paid	**-**	-	**206**	191	**-**	46
Subvention payment	**-**	-	**-**	-	**1,897**	2,548
Management Fee	**120**	120	**-**	-	**-**	-
Rental	**1,880**	1,602	**72**	45	**-**	-
Property Maintenance	**100**	44	**-**	-	**-**	-
Fleet Maintenance	**376**	324	**-**	-	**-**	-

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	**2019**	2018
	$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	**2019**	2018
- $100,000 - $109,999	**0**	0
- $110,000 - $119,999	**1**	0
- $120,000 - $129,999	**0**	0
- $130,000 - $139,999	**0**	0
- $140,000 - $149,999	**2**	2
- $150,000 - $159,999	**0**	0
- $160,000 - $169,999	**0**	0
- $170,000 - $179,999	**0**	0
- $180,000 - $189,999	**1**	1

22. Operating Leases

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

	2019	2018
	$000	$000
Contracted Future Minimum Rental Income		
Within one year	**2,282**	2,169
After one year but no more than five years	**7,854**	8,230
After more than five years	**22,230**	28,089
Contracted Future Minimum Rental Expense		
Within one year	**382**	369
After one year but no more than five years	**1,494**	1,487
After more than five years	**4,323**	4,276

23. Subsequent events

The Directors resolved on the 20 September 2019 to recommend a final dividend for the year ended 30 June 2019 of $1.2m in total.

24. 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 2019 was nil (2018: $0.9m).

25. 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.

26. 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.

27. Performance targets of Gisborne Holdings Limited for the commencing 1 July 2018

The following performance targets have been set for the 2018/19 financial year

	Objective	Performance Target	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 plus subvention payment divided by average shareholder funds employed) of at least 4%.	Not Achieved 3.2%
		Consolidated ratio of total debt to total debt plus equity of no more than 20%	Achieved 16.6%
		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.	Achieved 2.1%
		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 Chair shall formerly notify GDC two months prior to the desired appointment date should a director resign or an additional director be requested to be appointed.	Achieved
		The Company will review the training needs of individual GHL Directors, and ensure training is provided where required.	Achieved
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
		That directors of subsidiary companies are selected for their commercial expertise and business aptitude relative to the subsidiaries objectives, subject to the approval of the GDC and in accordance with the GDC's appointment policy, expect where the appointees are the same Director as GHL.	Achieved

27. Performance targets of Gisborne Holdings Limited for the commencing 1 July 2018 (continued)

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 2018/19 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 the final subsidiary company SOI's are appropriate, measurable, attainable and timely.	Comment on the draft SOI's within the statutory timeframe of 30 April each year.	Achieved
8	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 produce a commercially focused draft SOI.	Achieved
		GHL will assess the alignment of the SOI's with any specifically notified GDC strategic directive.	Achieved
9	To ensure that the subsidiary company reporting is relevant and timely.	Subsidiary company will incorporate specific reporting requirements in accordance with legislation and accepted practice.	Achieved
10	To ensure that there are adequate processes for the identification, assessment and management of the risk exposures of the subsidiary companies.	Consolidated company SOI to incorporate specific statements regarding the processes for the management of risk exposures.	Achieved
11	To wind up subsidiary companies deemed no longer relevant.	Subsidiary company deemed to be no longer relevant by GHL Directors can be wound up as long as major transaction clause it not breached.	Achieved

Summarised Performance Indicators

	Achieved 2019	Budget Unaudited 2019	Achieved 2018
Return on shareholders' funds (1)	**3.2%**	4%	12.6%
Total debt / total debt + equity (2)	**16.6%**	20%	9.9%
Ratio of shareholder funds to total assets	**77.8%**	80%	81.3%

(1) Earnings Before Interest and Tax / Average Shareholders' funds

(2) Bank (current Liabilities) / Bank (current Liabilities) + Equity

Statutory information

Directors holding office during the year

Robert James Telfer	(Chairman)
David Mullooly	(Deputy Chairman)
Peter Stanley Reeves	
Robert Walter Proudfoot	Retired 13/12/2018
Ming Lim-Pollard	
Andrew Allan	Appointed 13/12/2018

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 2019 was as follows:

RJ Telfer	$66,667
PS Reeves	$33,333
RW Proudfoot	$15,080
M Lim-Pollard	$33,333
D Mullooly	$33,333
A Allan	$18,254

In addition to directors' fees the following amount for vehicle and expense reimbursement was $2,572 (2018: $1,844)

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.

Directory

Directors
Robert James Telfer (Chairman)
David Mullooly (Deputy Chairman)
Peter Stanley Reeves
Ming Lim-Pollard
Andrew Allan

Registered office
The Works Building
41 The Esplanade
GISBORNE

Postal address
PO Box 694
GISBORNE
Telephone 020-4183 4481

Senior Management
Chief Executive – Tracey Johnstone –Gisborne Holdings Ltd

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

Chartered Accountants
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
PO Box 1141
Gisborne

GISBORNE HOLDINGS LTD

Investment for local return