Annual Report 2020

GISBORNE HOLDINGS LTD

Investment for local return

"We invest in community owned assets for the benefit of current and future generations."

"It goes without saying
that our people are our biggest asset."

Chairperson and Chief Executive Report

$4.6M EBITDAR

14% Debt Ratio

$1.8M Distributed

We are very pleased to be able to provide such a positive annual report, on the back of an extremely challenging year, one which will no doubt be remembered for a long time as the year of the COVID-19 pandemic.

Our diverse portfolio brings its challenges but has also provided resilience and relative security in a time that has changed the world and the way that we look at it.

It goes without saying that our people are our biggest asset, and we take tremendous pride in the way that the team has adapted to, and navigated through, a testing period of substantial change. Thank you to the directors, senior management team and all our staff for your continued dedication and contribution to the company.

OVERALL PERFORMANCE

Our preferred measure of operational performance is EBITDAR (earnings before interest, tax, amortisation, and revaluations). EBITDAR this year is $4.6 million, up 3% from the previous year. In a year where operations were impacted by a nationwide drought and by COVID-19 we are hugely proud of these results.

Although EBITDAR was positive, the company produced a net loss before tax of $0.1 million due largely to a $4.2 million fair value loss on biological assets (livestock and forestry) due to lower year end commodity prices.

Equity rose 1% ($0.6 million) in the year to $99.3 million due to an increase in carbon credits and property valuations, partially offset by the dividend paid to GDC in May 2020 (distribution pertaining to prior year). We have delivered a 21% increase in value in the four years that GHL has owned the current suite of assets.

While total assets fell 2% in the year to $124.5 million, overall growth in the past four years is positive at $30.4 million (32%).

GHL remains in a strong position with a debt ratio of 14%, down from 16.5% in the prior year and below the 20% cap set by GDC. Cashflow for the year was positive, ending the year $250,000 up. Excluding the impact of IFRS16, interest expense was 3% down on prior year due to lower borrowing costs.

DISTRIBUTION

In line with prior year and our Statement of Intent, GHL will make a cash distribution to GDC of $1.8 million for the year ending June 2020. Payment will be made in March 2021 as per our distribution policy.

Distributions pertaining to the four years to June 2020 total $7.8 million.

The policy is for 50% of the annual cash profit to be distributed to GDC; the level of distribution is therefore protected from revaluation fluctuations.

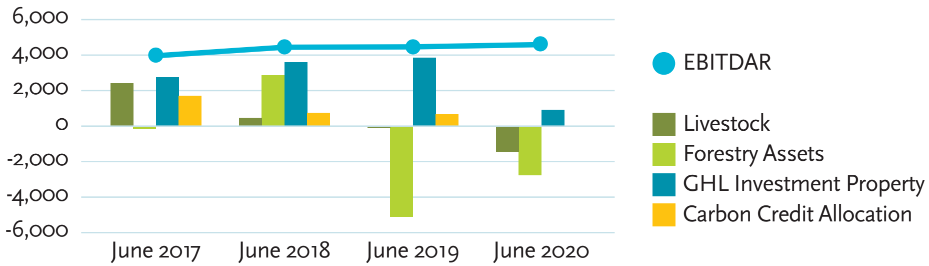
INVESTMENT

GHL has continued a disciplined, targeted investment approach, focusing on opportunities that enhance and optimise our existing portfolio. We have developments underway on Childers Road (old St Mary's site), Dunstan Road, and on land adjacent to the Gisborne Vehicle Testing Station. All are scheduled for completion in 2021.

The company has also been able to maintain and cashflow-fund investment into the Holiday Park and the TFL staff housing upgrade programme, both of which are essential to the long-term success of the respective businesses.

“We thank all our staff for their ongoing commitment to making GHL a successful company, and we look forward to more great results ahead.”

REVALUATION AND EBITDAR TREND



Our investment in cloud-based and integrated systems have increased the synergy and efficiency of financial reporting, with minimal impact on cost. This included the digitalisation and amalgamation of TFL finance functions, which were brought in-house. These improvements paid immediate dividends when the COVID-19 lockdown suddenly hit, with no interruption to business functions. We are now benefitting from a higher quality of information being provided to the Board and leadership team in a more timely manner, and the investment recently demonstrated its value as our audit was conducted remotely within the restricted travel environment.

FORWARD LOOKING

We have a low debt ratio, providing capacity for acquisitions and initiatives for growth.

We will continue to invest in initiatives to improve farm environmental outcomes. The current water system will be upgraded, meaning that the entire area of the farm will be serviced by reticulated water, compared with the current 75%. All major natural waterways can then be protected from stock.

Continuing our investment in the Holiday Park is also key, with real time data and reviews being used to inform our spend and revise the staged development plan set out in 2017.

Good decision-making in the form of business disciplines, operational efficiencies, and targeted capital investment, prior to the COVID-19 event, has allowed GHL to emerge from lockdown and navigate the current challenging environment in excellent financial shape. The diversity within our business provides natural resilience, and the strength of the regional economy and domestic tourism have meant that we are in much better shape than expected. We are confident that GHL can continue to withstand the disruption caused by COVID-19.

HEALTH AND SAFETY

Protecting our people at work is a top priority, and we continue to work with Safe-on-Site to ensure we implement best practice and continue to lift the health and safety bar.

Health and Safety across GHL sits with all of us and we are pleased by our track record with no lost time injuries for staff and contractors this year. As with everything, we continue to improve our systems and processes and bring GHL staff along on the journey.

THANKS

We thank Peter Reeves and Ming Lim-Pollard, whose Board tenures ended in the year, for their insights, experience, and contribution around the Board table, and we welcome Hayden Swann and Jacqueline Blake to the team.

We are delighted to acknowledge the significant milestone Di Karini has reached – working for the Holiday Park for over 30 years. She was Head Cleaner before her retirement and continues to work for the business on a part time basis. Thank you and well done!

Finally, we thank all our staff for their ongoing commitment to making GHL a successful company, and regardless of the challenging environment ahead, we look forward to more great results.

It is a great privilege to be able to work within an excellent team supporting a great business, contributing to a fantastic region.

Rob Telfer
Chairperson

Tracey Johnstone
Chief Executive

Directors Profiles

Rob Telfer Chairperson

Rob has been part of the team stewarding GHL through the busy and dynamic period that has seen the business grow from only owning a single asset - Tauwhareparae Farms - to the diverse business that it is today. Rob joined the board of GHL in October 2014 and was appointed Chairman in 2018.

As the former owner of Waipaoa Station, Rob was one of the driving forces behind the establishment of the award-winning Waipaoa Station Cadet Training Trust in 2007, and now sits on the board. Rob is current president of the Poverty Bay A&P Association executive. He is a key member of the Poverty Bay Polo Club and has also represented New Zealand in polocrosse.

Rob is proud of the business that GHL has developed to into – a model that wraps profit-making and a sound financial framework around a core of regional and community benefit for current and future generations.

Dave Mullooly

Dave joined the GHL Board in 2017. As a fourth generation Gisbornite who has lived, worked and played in the district all his life, Dave takes great satisfaction from the role that GHL plays in creating a positive, prosperous, and attractive district where people and business can thrive.

Dave has 30-plus years of business experience, predominantly in the automotive and convenience industry. He serves as Chairman of the BP2Go Co-operative Company, of which he has been a director for several years. Dave also holds a compliance project role with members of the New Zealand Agricultural Aviation Association, liaising with WorkSafe New Zealand.

Andrew Allan

A Board member since December 2018, Andrew relishes the opportunity that being part of the GHL governance team offers, which aligns with his desire to contribute to the long-term future of the region socially, environmentally, and economically.

Gisborne born and bred, Andrew is the East Coast area manager for Rabobank NZ. He has represented the region in surf lifesaving for many years and has played rugby for Poverty Bay. He is a former president of the Poverty Bay A&P Association and is currently on the committee.

Hayden Swann

Hayden joined the Board in 2020 and is excited about the opportunity to bring his skills and experience to the team leading GHL in alignment with his values; toitu te whenua, toitu te tangata (productive land, prosperous people). Hayden's governance approach aligns with GHL's direction, encompassing kaitiakitanga (guardianship for the land and people), manaakitanga (caring for our staff, shareholders and visitors), rangatiratanga (pride in who we are, our identity), kotahitanga (togetherness, working collectively).

The current Principal of Makaraka School, Hayden's tribal affiliations are Ngati Porou, Ngati Konohi, Ngati Oneone, Ngai Tai, Rongowhakaata and Te Aitanga-a-Mahaki.

Hayden is a current director of Ngati Porou Forest Limited and Ngati Porou Land Trust, chairs the Mangaotane Farm Trust, is deputy chairman of Pakarae Incorporation - Whangara Farms Partnership. He has also been part of the governance team of Hauiti and Mangaheia 2D (Paroa Station) Incorporations, is Chairman of the Poverty Bay Rugby Union, a member of the executive of the Poverty Bay A&P Association, and is the Tairāwhiti Representative on the executive of the Federation of Māori Authorities.

Jacqueline Blake

Joining the board in 2020, Jacqueline Blake is a practising lawyer and is a board member of Whangara Farms, an elected member of Tapuwae Whitiwhiti Incorporation and a member and the chairperson of Te Tapuwae o Rongokako Marine Reserve.

Jacqueline's tribal affiliations include Ngati Konohi, Ngati Porou, Te Aitanga a Hauiti, Te Aitanga a Mahaki and Te Whanau a Kai.

Jacqueline was born and raised in Gisborne and is delighted to have the opportunity to bring to the GHL table her experience in business, governance, and law, as well as her community, whanau, hapu, and iwi connections.

Currently practicing locally in family law, Jacqueline is also a performer with Māori Performing Arts group Te Kapa Haka o Whangara Mai Tawhiti. She was member of the group when they became national champions in 2007 and 2017 and has travelled nationally and internationally with them.

"Each of our business units has its role as kaitiaki of key assets as its heart."

Gisborne Holdings Ltd

Local Directors

Best for Region

Resilient Returns

GISBORNE HOLDINGS LTD

Investment for local return

We are focused on benefitting Tairāwhiti, through optimising assets that we own and manage on behalf of the Gisborne community, through the Gisborne District Council. Our independent directors are appointed by the Gisborne District Council, as our shareholder. Our directors are local people with a passion for Tairāwhiti, and the skills and experience to ensure that we optimise benefit to the district.

We take our responsibility to the region seriously – we are the stewards of regional assets that benefit all of us, and future generations.

Good financial returns are critical, because the distributions that we make to the Council help minimise rates. That is a given for us. But we are also long-term thinkers and we are always making sure that our investments and decisions are going to contribute to a great future for Tairāwhiti.

Each of our business units has its role as kaitiaki of key assets as its heart. Our people embody best practice, continuous improvement, and long-term thinking.

We are proud of what we achieve for our region, and we know that our community will be too.

HOW WE WORK

Gisborne Holdings Ltd (GHL) is 100% owned by the Gisborne District Council (GDC). Our distributions flow directly to the GDC to help provide for capital works and minimise demands on ratepayers. We aim to grow the portfolio of investments and take advantage of commercial opportunities to increase the returns to the GDC and provide long-term income and capital-value resilience. GHL funds its own activities and receives no funding from the GDC.

We are directly accountable to the GDC, which approves our annual Statement of Intent. GHL reports regularly to the GDC Finance and Performance Committee, and we provide the GDC with six-monthly and annual reports.

GHL has four business units:

- Commercial Property and Projects, which manages a diverse portfolio of properties and takes project management responsibility for GHL developments.
- Gisborne Vehicle Testing Station, which is an independent testing station and AA agency, as well as providing fleet management services.
- Waikanae TOP 10 Holiday Park, which is the region's largest accommodation provider, covering the spectrum from tent sites to 4.5-star apartments.
- Tauwhareparae Farms Ltd, which runs the Puketawa, Tamatea and Tauwhare stations as a single unit, covering 11,000 hectares of land, inland from Tolaga Bay.

"We're incredibly proud of our results, which are testament to our tremendous staff, who demonstrated their strength and resilience right through."

Tauwhareparae Farms

$7.1M Income

75% Water Reticulated

Sustainable Land Use Focus

TFL TAUWHAREPARAE FARMS LTD

FARM OPERATIONS

The farming operation brings together three stations, which are run as a single unit.

This year has been challenging, with a great spring turning into a drought-plagued summer, rapidly followed by the COVID-19 level 4 lockdown.

Despite these challenges, we are incredibly proud of our results, which are testament to our tremendous staff, who demonstrated their strength and resilience right through. Staff were given the choice of staying or returning to their families in other parts of the country during the level 4 lockdown. All staff chose to stay and stuck together, supporting each other. We responded to the logistical challenges and operated at 100% capacity throughout this period. Market demand remained strong for lamb, but beef prices were under pressure due to the impact of COVID-19 on the USA and China markets. Our collaboration with Ovation was pivotal in ensuring that we continued to obtain good lamb prices. Our strong animal welfare standards allow us to supply lambs into these high-end markets.

Farm income rose 2% ($0.1 million) on prior year and the farm, which accounts for 55% of GHL assets, produced a 4.3% return on assets against a target of 4.2%.

We are currently working hard on developing and implementing a farm environmental plan, which will continue our commitment and work to improve the condition of the land and waterways that we care for. We aim to lead in the development of sustainable and future-proof farming and will continue to build on our strong legacy of environmental stewardship. TFL has not used nitrogen on any of its farms in the past four years, we implement 30 metre set-backs from waterways and riparian strips for new pine plantings (exceeding the standard) and we are very fortunate to have water reticulation over 75% of our grazing area. The water reticulation system allows us to provide stock with clean drinking water all year round, well away from natural waterways.

Through careful budget management and operational efficiencies, the farm continues to deliver a positive performance irrespective of the usual vagaries of weather and commodity prices.

FORESTRY OPERATIONS

While no harvesting activities were carried out on TFL this year, COVID-19 still left its mark – the forestry asset value declined $2.8m off the back of lower log prices.

An assessment of all forestry assets together with a full review of pastoral land is underway to ensure an optimal land-use strategy, capitalising on all opportunities available.

It is a great honour to be caring for this beautiful land, and a privilege to work with such committed and hard-working staff. We intend to continue to improve our farming practice while delivering ongoing financial benefit to the region from the farm. Sustainability, productivity, and profitability go hand-in-hand at TFL.

"We lead from the front and set ourselves the highest standards."

Commercial Property and Projects

7%
Income
Increse

96.5%
Satisfaction

Diverse
Property
Portfolio

PROPERTY HOLDINGS

Our remit includes the delivery of major projects and the ongoing management and maintenance of all properties. Additionally, we provide an end-to-end service for municipal buildings, taking care of everything for our tenants. Our team manages all property within the GHL portfolio; the GDC administrative building, commercial property, TFL farm properties, the TOP 10 Holiday Park as well as properties for GDC including community & staff housing.

Income rose 7% in the year to $2.5 million and profit before tax rose 29% ($0.3 million) on prior year, largely due to lower consultancy and ground lease costs. Fixed assets represent 30% of GHL assets and produced a return of 3.7% against a target of 1.6%.

We lead from the front and set ourselves the highest standards. Our track record speaks for itself – our commercial and residential property portfolio has 100% occupancy, we achieved a fantastic score of 96.5% in the annual satisfaction survey of our residential tenants, and all properties are compliant with the Government's new Healthy Homes standards. In addition, about 80% of the managed residential portfolio is now double-glazed, providing warm and cosy homes. We continue to improve and modernise all our properties to ensure that they are future-proofed and are great places to occupy.

Like all GHL business units, the best-interests of the community drive our decision-making. We optimise efficiency in everything that we do, engaging local contractors whenever possible, and keeping a long-term focus on all activities.

We are excited about the development of the land on Childers Road which will provide for desperately needed housing stock in Gisborne, and about the creation of our newest asset – a carwash adjacent to the vehicle testing station. We are also progressing with development opportunities for land at Dunstan Road.

We were extremely pleased with our team's resilience during the COVID-19 lockdown. Our cloud-based operation enabled a smooth transition to working from home with no disruption to services, and our team contacted all 120 elderly tenants in community housing to ensure that they were safe and secure. We worked with our commercial tenants to negotiate terms that allowed their businesses to navigate through the challenging COVID-impacted environment, and consequently we have not lost a single tenant.

We are the caretakers of many valuable regional assets and we will continue to improve and optimise these assets for the benefit of our community.

"We are confident in the business model and strategy that we have in place and look forward to improved results as we recruit and train more inspectors."

Gisborne Vehicle Testing

NZTA Excellence

Qualified Trainee Staff

Strong Loyal Team

GISBORNE VEHICLE TESTING

This year revenue has declined significantly as the nationwide shortage of vehicle inspectors impacted us, with staff-shortages restricting inspection rates and throughput of warrants. This put pressure on our core staff, who have shown great loyalty and commitment through a challenging time.

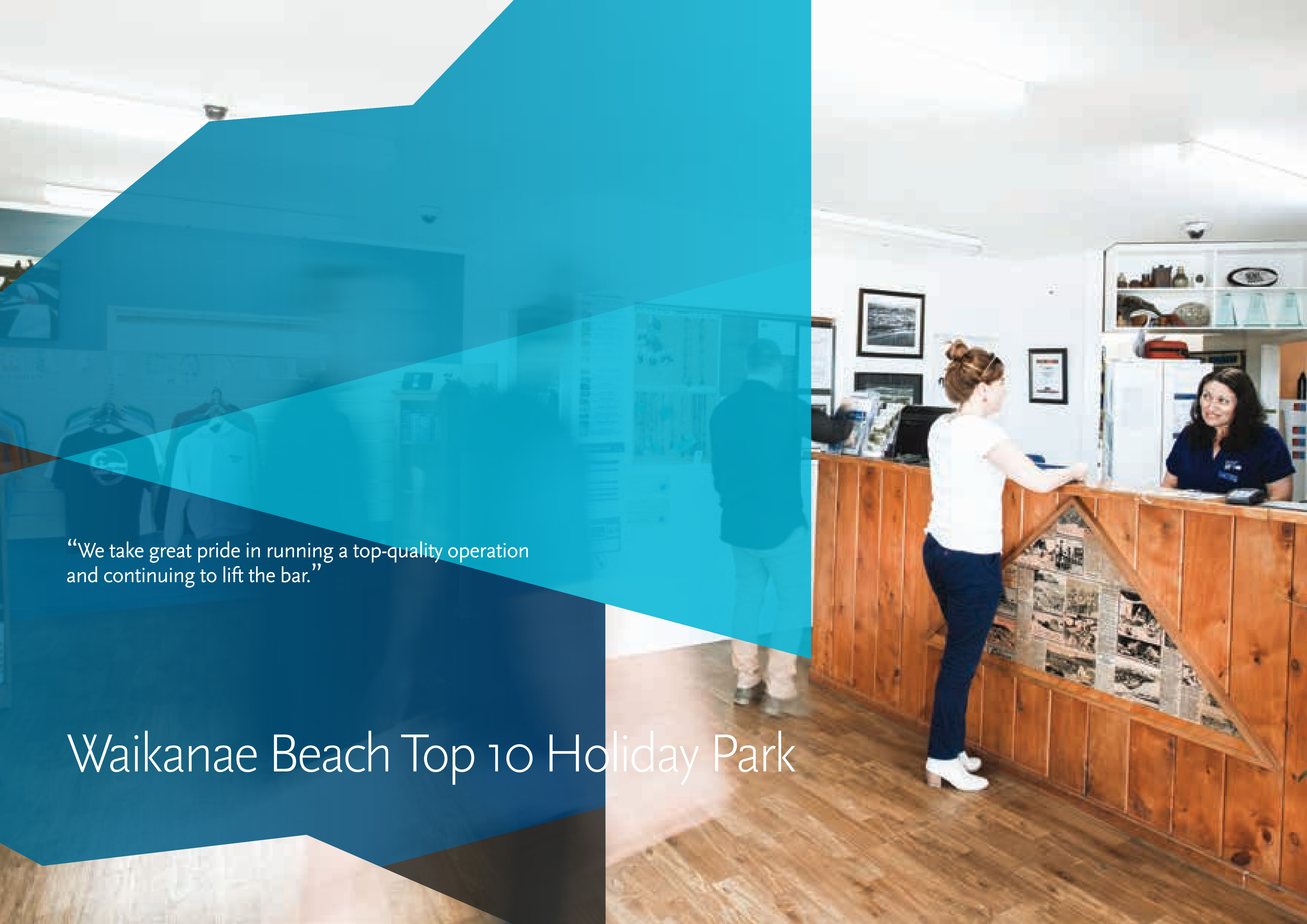
The staff cost ratio increased during the year as trainees were recruited, and profitability was further eroded by the enforced closure bought about by COVID-19. All staff were retained on full pay during the alert level 4 lockdown.

The business posted a loss for the year of $27,000, which equates to a negative 1.8% return on assets against a target of 14.2%. Fixed assets represent 1% of GHL assets.

Despite the challenges, we have had excellent results in our NZTA audits, and the AA business is performing well, demonstrated by productivity measures.

We are confident in the business model and strategy that we have in place and look forward to improved results as we recruit and train more inspectors. Post year end, one trainee inspector has attained his inspector qualification, and another has completed the requisite training and is awaiting a test date.

We acknowledge and thank the staff who have worked hard and carried us through these challenging times.



"We take great pride in running a top-quality operation and continuing to lift the bar."

Waikanae Beach Top 10 Holiday Park

$1.9M Revenue

46,000 Nights

A+ Regional Tourism Contributor

It has been a great year for the Holiday Park, with the GHL Property team delivering on a substantial programme of upgrade work on-time and in-budget. This truly demonstrates the benefit of our integrated approach at GHL.

Customer surveys and on-line review tools help us identify areas of the Holiday Park that could be improved, and we can then work with the GHL Property team to deliver those improvements in an efficient and cost-effective way. Survey feedback show the positive impact of these improvements and we use these to prioritise investment decisions. This is the first full year that the ocean view apartments have been operating and we are thrilled with the revenue and the positive customer reviews.

The COVID-19 lockdown had a substantial impact on us, particularly with both Easter and the ANZAC Day public holiday falling within the level 4 lockdown period. However, June and July exceeded expectations, budget, and prior year. We took pride in our ability to care for our people during the level 4 Lockdown and are delighted that we retained all our staff through this trying time.

Despite the COVID-19 impact, the Holiday Park posted a record $1.9 million in revenue, up $0.1 million (7%) on the previous year. Prior to COVID the Park had been on target to exceed its KPI of $2.1 million revenue for the year.

The Holiday Park's return on assets was 11.7% against a target of 14.5% with profitability being eroded as the business was closed during lockdown. Holiday Park assets represent 4% of GHL's total.

Operational cost efficiencies continue to be a focus and are well under control.

The Holiday Park is more than just accommodation – our facility is a major contributor to the region's tourism offering and to the local economy. The Holiday Park is the largest accommodation provider in town, offering a complete range of accommodation from tent sites to 4.5-star apartments, and delivering upwards of 46,000 guest nights last year.

Through our affiliation with the TOP 10 Holiday Park network we benefit from branding and marketing, as well as knowledge sharing that supports our growth and development.

Shoulder and winter season occupancy and revenue continues to trend upwards and forward bookings are ahead of last year, in part due to the surge in post lockdown domestic travel. We remain cautiously optimistic for the year ahead, tempered by the uncertainty that COVID brings.

We take great pride in running a top-quality operation and continuing to lift the bar. Our goal is to continue to improve what we do and what we offer, creating and growing a business that our community can be proud of.

DIRECTORS' REPORT
for the year ended 30 June 2020

The Board of Directors present their consolidated financial statements for Gisborne Holdings Limited for the year ended 30 June 2020 and the auditor's report thereon.

For and behalf of the Board of Directors:

R J Telfer
15 September 2020

D Mollooly

Consolidated Financial Statements 2020

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF GISBORNE HOLDINGS LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

Building a better working world

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 25 to 55, that comprise the statement of financial position as at 30 June 2020, 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 56.

In our opinion:

- the financial statements of the Group on pages 25 to 55:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; 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 page 56 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 2020.

Our audit was completed on 16 September 2020. 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.

Emphasis of Matter

Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the group as set out in note 4 to the financial statements.

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.

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.
- 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.

EY
Building a better working world

- 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 19 and 57 to 58, 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 2020

	Notes	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
Revenue from contracts with customers				
Tauwhareparae Farms Limited		7,116	8,012	11,133
Property Holdings		203	182	184
Gisborne Vehicle Testing Station		677	1,312	1,183
Waikanae Holiday Park		1,904	2,065	1,775
Total Revenue from contracts with customers	5.1	**9,900**	**11,571**	**14,275**
Revenue other				
Rental Income		2,293	2,263	2,156
Change in Valuation of Investment Property, Livestock, Forestry & Carbon Credits		(3,294)	–	(734)
Total Revenue other		**(1,001)**	**2,263**	**1,422**
Total Revenue		**8,899**	**13,834**	**15,697**
Cost of Sales				
Tauwhareparae Farms Limited		2,743	3,504	6,426
Property Holdings		490	837	652
Gisborne Vehicle Testing Station		71	61	243
Waikanae Holiday Park		357	317	248
Total Cost of Sales		**3,661**	**4,719**	**7,569**
Gross Profit		**5,238**	**9,115**	**8,128**
Total Income		**5,238**	**9,115**	**8,128**

STATEMENT OF COMPREHENSIVE INCOME (continued)

for the year ended 30 June 2020

	Notes	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
Expenditure from continuing operations				
Salaries and Wages		3,209	3,180	3,175
Administrative Expenditure		734	1,945	1,168
Depreciation		740	535	644
Loss on sale of assets		15	–	62
Financing Expenditure		667	477	544
Total expenditure		**5,365**	**6,137**	**5,593**
Net Operating Profit/(Loss) before taxation	5.2	(127)	2,978	2,535
Subvention Payment – Gisborne District Council		(550)	–	(600)
Taxation (expense) / credit	8	564	(447)	306
Net Profit / (Loss) for the period		**(113)**	**2,531**	**2,241**
Other comprehensive income				
Revaluation gain on property, plant and equipment	15	812	–	2,349
Deferred tax on building revaluations		–	–	72
Revaluation gain/(loss) on carbon credits	18	1,517	–	296
Deferred tax on carbon credits revaluation		(425)	–	(83)
Other comprehensive income for the year attributable to owners of the parent		**1,904**	**–**	**2,634**
Net profit/(loss) for the year		**(113)**	**2,531**	**2,241**
Total comprehensive income for the year attributable to the owners of the parent		**1,791**	**2,531**	**4,875**

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2020

	$000 Ordinary Shares	$000 Asset Revaluation Reserve	$000 Carbon Credit Revaluation Reserve	$000 Fair Value Reserve	$000 Retained Earnings	$000 Total
At July 2019	**33,478**	**40,936**	**597**	**(5)**	**23,741**	**98,747**
Net profit/(loss) for the year	–	–	–	–	(113)	(113)
Other comprehensive income	–	812	1,092	–	–	1,904
Total comprehensive income for the year	**–**	**812**	**1,092**	**–**	**(113)**	**1,791**
Transactions with owners in their capacity as owners						
Shares Issued	–	–	–	–	–	–
Dividend	–	–	–	–	(1,200)	(1,200)
At 30 June 2020	**33,478**	**41,748**	**1,689**	**(5)**	**22,428**	**99,338**

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2020

	$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	–	2,421	213	–	–	2,634
Total comprehensive income for the year	**–**	**2,421**	**213**	**–**	**2,241**	**4,875**
Transactions with owners in their capacity as owners						
Shares Issued	417	–	–	–	–	417
Dividend					(400)	(400)
At 30 June 2019	**33,478**	**40,936**	**597**	**(5)**	**23,741**	**98,747**

STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

	Notes	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
Contributed equity	6	33,478	33,061	33,478
Retained Earnings	7	22,428	27,248	23,741
Reserves	7	43,432	38,922	41,528
Total equity		**99,338**	**99,231**	**98,747**
Represented by:				
Financial assets				
Cash and cash equivalents		2	–	2,972
Trade and other receivables	10	867	704	855
Inventories	11	129	131	195
Total financial assets		**998**	**835**	**4,022**
Current liabilities				
Bank	12	571	15,381	19,694
Payables and accruals	13	1,665	1,794	2,040
Gisborne District Council – Current Account		557	600	413
Taxation		434	–	551
Lease Liability	15.2	55	–	–
Total current liabilities		**3,282**	**17,775**	**22,698**
Net working capital		**(2,284)**	**(16,940)**	**(18,676)**

STATEMENT OF FINANCIAL POSITION (continued)
as at 30 June 2020

	Notes	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
Non–current assets				
Investment Property	14	35,293	31,347	34,334
Property, plant & equipment	15.1	60,724	58,697	59,885
Right of use assets	15.2	1,523	–	–
Biological assets	16	19,955	28,105	24,184
Equity Instruments at fair value through other comprehensive income	17	497	464	464
Investments in shares	17	2	2	2
Intangible assets – NZ Emission Units	18	5,537	4,346	4,019
Total non–current assets		**123,531**	**122,961**	**122,888**
Non–current liabilites				
Financial liabilities – term loan		15,900	–	–
Deferred Tax	8	4,512	6,790	5,465
Lease Liability	15.2	1,497	–	–
Total non–current liabilites		**21,909**	**6,790**	**5,465**
Net assets		**99,338**	**99,231**	**98,747**

For and on behalf of the Board, who authorise the issue of these financial statements on 15 September 2020.

R. J. Telfer

RJ Telfer

D Mullooly

STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	Notes	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		12,147	14,200	14,918
Goods and services tax (net)		–	153	7
		12,147	**14,353**	**14,925**
Cash was distributed to:				
Payments to suppliers & employees		8,022	10,210	11,335
Income tax refunds payments / (refunds)		934	–	1,598
		8,956	**10,210**	**12,933**
Net cash inflow / (outflow) from operating activities		**3,191**	**4,143**	**1,992**
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of fixed assets		19	–	38
		19	**–**	**38**
Cash was applied to:				
Purchase of fixed assets		825	2,200	5,988
Forest asset expenditure		–	–	241
Development expenditure		–	–	228
Carbon credits expenditure		–	–	3
		825	**2,200**	**6,460**
Net cash inflow / (outflow) from investing activities		**(806)**	**(2,200)**	**(6,422)**

STATEMENT OF CASH FLOWS (continued)
for the year ended 30 June 2020

	Notes	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
Cash flows from financing activities				
Cash was provided from:				
Term Loan		15,900	(3,400)	–
		15,900	**(3,400)**	**–**
Cash was applied to:				
Dividends & subvention payment paid		1,800	1,800	1,700
Gisborne District Council – Current Account		(197)	–	197
Interest paid		530	477	544
		2,133	**2,277**	**2,441**
Net cash inflow / (outflow) from financing activities		**13,767**	**(5,677)**	**(2,441)**
Net increase / (decrease) in cash held		16,153	(3,734)	(6,871)
Opening cash brought forward		(16,722)	(11,647)	(9,851)
Ending cash carried forward		**(569)**	**(15,381)**	**(16,722)**
Cash at year end:				
Cash and cash equivalents		2	–	2,972
Bank wholesale advances		(571)	(15,381)	(19,694)
Ending cash carried forward		**(569)**	**(15,381)**	**(16,722)**

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 2020. The Financial Statements were authorised on 15 September 2020.

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. Although net working capital is a liability, the company can utilise an undrawn funding facility as required and is therefore still a going concern.

(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.

(c) New accounting standards and interpretations

In these financial statements, GHL has applied IFRS 16 -Leases, effective for annual periods beginning on or after 1 July 2019, for the first time.

NZ IFRS 16 – leases

On adoption of NZ IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' in accordance with NZ IAS 17.

The company has adopted NZ IFRS 16 using the modified retrospective approach, meaning the 2019 comparatives have not been restated, meaning the reclassifications arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

In applying NZ IFRS 16 for the first time, the Company has used the following practical expedient permitted by the standard:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- applied the standard only to contracts that were previously identified as leases applying NZ IAS 17 and NZ IFRIC 4 at the date of initial application.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying NZ IAS 17 and NZ IFRIC 4 Determining whether an Arrangement contains a lease.

(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.

(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

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. These include:

- 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

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Debt instruments at FVOCI
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
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.

(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 2020.

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.

(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.

(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.

Group as a lessee

The Company leases offices and land (holiday park). The contracts are made for fixed periods with right of renewal options included.

The Company allocates the consideration in the contract to the lease based on the stand-alone price in the contract.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Prior to 1 July 2019, leases were classified as operating leases. From 1 July 2019, leases are recognised as a right of use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the future fixed lease payments (taking into account any rent reviews).

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Where it is determined it is no reasonably certain the extension option will be exercised, the lease liability will be measured up until the point of the initial lease period.

The lease payments are discounted using either the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the Statement of Comprehensive Income over the lease period.

Right of use assets are measured at cost comprising the amount of the initial measurement of the lease liability.
Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low value assets are recognised on a straight-line basis as an expense in the Statement of Comprehensive Income, and are exempt from NZ IFRS 16 recognition. Short term leases are those with a term of less than 12 months. Low value assets comprise office equipment, for example photocopiers.

Where a right of use asset is subleased, the full amount of the lease obligation to the Company is recognised in accordance with the above, with the income received from the subleased recognised as revenue in the Statement of Comprehensive Income.
The Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follow:
Buildings – 40 years
The Right of use assets are depreciated over the following years based on current agreements:
GDC Ground lease for Holiday Park – 360 months
Worxs Buildings Lease – 156 months

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

(1) **Measurement of lease liabilities**
The group has recognised a right of use asset of $1.6m and lease liabilities of $1.6m at 1 July 2019, for leases previously classified as operating leases.
The weighted average lessee's incremental borrowing rate applied to lease liabilities as at 1 July 2019 was 3.46%.

(2) **Adjustments recognised in the balance sheet 1 July 2019**
The change in accounting policy affected the following items in the statement of financial position on 1 July 2019

- Property, plant and equipment – nill
- Right-of-use-assets – increase $1,600,000
- Lease liabilities – increase $1,600,000

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follow :

	$000
Operating lease commitments as at 30 June 2019	2,303
Weighted average incremental borrowing rate as at 1 July 2019	3.5%
Discounted operating lease commitments as at 1 July 2019	1,659
Less short-term leases	59
Lease liability as at 1 July 2019	1,600

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 pthe 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.

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.

(u) 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

Throughout the COVID-19 lockdown levels GHL continued to pay all suppliers on time and in full and also supported commercial tenants by way of rent reduction. The Board took a 20% reduction in fees however all staff were retained on full pay. GHL accessed the Governments Wage Subsidy Scheme for divisions and staff impacted by the lockdown.

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.

(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.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

(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.

Leases
The estimation of the lease term are based on substance of the contract with renewal options available

(iii) Key judgements
In March 2020, the World Health Organisations declared the outbreak of novel coronavirus (Covid-19) a pandemic with the New Zealand Government subsequently declaring a State of National Emergency on 25 March 2020.
The country was in lockdown (Alert Level 3 & 4) from 26 March to 13 May which restricted business operations and required certain employees to work from home.
Gisborne Holdings Limited was able to operate during lockdown, albeit at restricted levels for certain activities as follows:

- Waikanae Beach Top 10 Holiday Park was closed during level 3 & 4. The closure covered the busy Easter and Anzac holiday periods which the Park had been fully booked for, so income was significantly affected. The Park opened during level 2 with a reduced accommodation offering.
- Gisborne Vehicle Testing Station was closed during level 4 and open for trade customers only under level 3 resulting in a decline in income. It was open to the public again under level 2.
- The Property and Projects division worked from home with restrictions causing minor disruptions to project timelines.
- Tauwhareparae Farms Limited was considered an essential service and was able to operate during the lockdown period albeit with some supply chain disruption.

Management and the board have considered the impact of Covid-19 on relevant balances and disclosures in the financial statements. The effect on our operations is also reflected in these financial statements, based on the information available up to the date of signing. At this time, it is difficult to determine what continuing impact Covid-19 will have on our business therefore some material uncertainties remain.

5.1 Revenue from contracts with customers

	Tauwhareparae Farms Limited Actual 2020 $000	Property Holdings Actual 2020 $000	Gisborne Vehicle Testing Station Actual 2020 $000	Waikanae Holiday Park Actual 2020 $000	Total Actual 2020 $000	Tauwhareparae Farms Limited Actual 2019 $000	Property Holdings Actual 2019 $000	Gisborne Vehicle Testing Station Actual 2019 $000	Waikanae Holiday Park Actual 2019 $000	Total Actual 2019 $000
Major Goods										
LiveStock	6,699	–	–	–	6,699	6,341	–	–	–	6,341
Wool	205	–	–	–	205	392	–	–	–	392
Forestry	–	–	–	–	–	4,158	–	–	–	4,158
Other	153	–	–	14	167	188	–	–	61	249
Total Goods	**7,057**	**–**	**–**	**14**	**7,071**	**11,079**	**–**	**–**	**61**	**11,140**
Major Services										
Accommodations	–	–	–	1,822	1,822	–	–	–	1,692	1,692
Other	59	203	677	68	1,007	54	184	1,183	22	436
Total Services	**59**	**203**	**677**	**1,890**	**2,829**	**54**	**184**	**1,183**	**1,714**	**3,135**
Total	**7,116**	**203**	**677**	**1,904**	**9,900**	**11,133**	**184**	**1,183**	**1,775**	**14,275**

5.2 Net operating profit / (loss) before taxation includes:

	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
After Charging:			
Audit fees	62	80	61
Directors' fees	194	200	200
Employee benefit expenditure	3,115	3,180	2,921
Depreciation:			
Buildings & Improvements	414	335	385
Plant and equipment	178	100	117
Motor Vehicles	147	100	142
Financing Expenditure :			
Short term Advance Facility	368	477	435
Overdraft	161	–	109
Lease Depreciation	77	–	–
Lease Interests	60	–	–

6. Contributed equity

	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
Issued and paid up			
Balance at 1 July	33,478	33,061	33,061
Issued Share Capital	–	–	417
Balance at 30 June	**33,478**	**33,061**	**33,478**

7. Retained Earnings and Reserves

	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
Retained Earnings			
Balance 1 July	23,741	24,717	21,900
Net Profit attributable to equity holders	(113)	2,531	2,241
Dividend	(1,200)	–	(400)
Balance 30 June	**22,428**	**27,248**	**23,741**
Asset Revaluation Reserve			
Balance 1 July	40,936	38,533	38,515
Revaluation of Land	1,015	–	2,644
Revaluation of other land improvements	–	–	339
Revaluation of Buildings	(203)	–	(634)
Deferred tax on buildings revaluation	–	–	72
Balance 30 June	**41,748**	**38,533**	**40,936**
Fair Value Reserve			
Balance 1 July	(5)	(5)	(5)
Balance 30 June	**(5)**	**(5)**	**(5)**
Carbon Credit Revaluation Reserve			
Balance 1 July	597	394	384
Revaluation of Carbon Credits	1,517	–	296
Deferred tax on Carbon Credits revaluation	(425)	–	(83)
Realised gain on sale of Carbon Credits	–	–	–
Balance 30 June	**1,689**	**394**	**597**
Total Closing Balance Revaluation Reserves	**43,432**	**38,922**	**41,528**

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 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
(a) Income Tax			
The major components of income tax expenses are:			
Income Statement			
Current income tax			
Current period income tax charge	874	447	767
Prior period adjustment	(55)	–	–
Deferred income tax			
Relating to origination and reversal of temporary differences	(1,381)	–	(1,073)
Income tax expense/(credit) reported in the income statement	**(564)**	**447**	**(306)**
(b) Amounts charged or credited directly to other comprehensive income			
Relating to revaluation of Carbon Credits	425	–	83
Relating to revaluation of buildings	–	–	(72)
Income tax expense reported in other comprehensive income	**425**	**–**	**11**
(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	(677)	–	1,935
Total accounting profit/(loss) before income tax	**(677)**	**–**	**1,935**
At the Group's statutory income tax rate of 28% (2018 : 28%)	(189)	–	542
Herd Livestock Adjustment	597	–	(131)
Prior period adjustment	(671)	–	–
Non–deductible income and expenses	(172)	–	(717)
Change in tax depreciation on buildings	(113)	–	–
IFRS 16	(16)	–	–
Aggregate income tax expense/(Credit)	**(564)**	**–**	**(306)**
Aggregate income tax expense/(Credit) is attributable to:			
Continuing operations	(564)	–	(306)
	(564)	**–**	**(306)**

8. Income Tax (continued)

	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
(d) Recognised deferred tax assets and liabilites			
Deferred income tax at 30 June relates to the following			
(i) Deferred tax liabilites			
Biological Assets	2,905	6,303	3,517
Tax losses	–		–
Accelerated depreciation: buildings, plant & equipment, motor vehicles	137	200	869
IFRS 16	(8)	–	–
Other	(72)	–	(46)
NZ Emission Units	1,550	287	1,125
Gross deferred tax liabilities	4,512	6,790	5,465
Set–off of deferred tax assets	–	–	–
Net deferred tax liabilities	**4,512**	**6,790**	**5,465**

9. Subvention Payments Paid

Paid during the year			
Subvention payment 2019	–	–	1,300
Subvention payment 2020	600	600	–
	600	**600**	**1,300**

10. Financial assets at fair value through profit or loss

	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
Trade receivables	681	704	596
Other receivables	(3)	–	18
	678	704	614
Related party payable Gisborne District Council	189	–	241
Balance at 30 June	**867**	**704**	**855**

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 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
Farm supplies on hand	85	61	67
Wool on hand	28	50	101
Goods for sale	16	20	27
Balance at 30 June	**129**	**131**	**195**

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 is in place with ANZ Bank New Zealand Limited. The facilities are secured by way of a general security agreement. The balance at 30 June 2020 was $0.571m (2019: $19.694m).

13. Payables and accruals

	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
Trade creditors and accruals	1,330	1,794	1,807
Accrued staff entitlements	335	–	233
	1,665	1,794	2,040
Related party payable Gisborne District Council	557	600	413
Balance at 30 June	**2,222**	**2,394**	**2,453**

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 2020

	Land 2018 $000	Buildings 2018 $000	Total 2018 $000
Cost or valuation at 1 July 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
Additions at cost	–	24	24
Disposals at net book value	–	–	–
Revaluation Adjustment	1,986	(1,051)	935
At 30 June 2020	**16,293**	**19,000**	**35,293**

The Group's investment properties consist of seven properties (2019: seven 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 2020, 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 $2.166m (2019: $2.065m). Direct operating expenses generating rental income was $0.282m (2019: $0.402m).

15.1 Property plant and equipment

	Freehold Land & $000	Buildings $000	Construction in Progress $000	Leasehold Improvements $000	Plant & Equipment $000	Motor Vehicles $000	Total $000
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	(634)	–	–	–	–	2,349
Depreciation charged for the year	(181)	(204)	–	–	(117)	(142)	(644)
At 30 June net of accumulated depreciation and impairment	**49,284**	**9,213**	**50**	**2**	**931**	**405**	**59,885**
Year ended 30 June 2020							
At 1 July net of accumulated depreciation and impairment	**49,284**	**9,213**	**50**	**2**	**931**	**405**	**59,885**
Additions at cost	–	487	105	2	153	102	849
Disposals and transfers	–	–	(48)	–	(0)	(34)	(82)
Revaluation Adjustment	1,015	(203)	–	–	–	–	812
Depreciation charged for the year	(182)	(234)	–	(1)	(177)	(146)	(740)
At 30 June net of accumulated depreciation and impairment	**50,117**	**9,263**	**107**	**3**	**908**	**326**	**60,724**

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 2020 was $59.380m (2019: $58.496m).

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.

15.2 Lease Liability

This note provides information for leases where the group is a lessee.
For leases where the groups is a lessor, see note 22.

(a) Amounts recognised in the statement of position
The statement of position shows the following amounts relating to leases:

	Actual 2020 $000	1 July 2019 $000
Right-of-use assets		
Buildings	507	550
Land	1,016	1,051
	1,523	**1,600**
Lease liabilities		
Current	55	52
Non-current	1,497	1,548
	1,552	**1,600**

A portion of the building lease is subleased to a third party for $47,630.

(b) Amounts recognised in the statement of comprehensive income
The statement of comprehensive income shows the following amounts relating to leases:

	Actual 2020 $000	Actual 2019 $000
Depreciation charge of right-of -use assets		
Buildings	(42)	–
Land	(35)	–
	(77)	**–**
Interest expense (included in financing expenditure)	(59)	–

The total cash outflow for leases in 2020 was $107,743.

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 2020

	Sheep Quantity	$000	Cattle Quantity	$000	Forestry Hectares	$000	Total $000
Opening balance							
As at 1 July	32,980	6,016	5,478	6,505	1,441	11,663	24,184
Natural Increase	33,974	4,929	2,629	1,837	–	–	6,766
Purchases	56	60	47	166	72	–	226
Change in Fair Value	–	(705)	–	(387)	–	(2,789)	(3,881)
Sales	(30,210)	(4,139)	(2,484)	(2,488)	–	–	(6,627)
Deaths, Killed & Recoveries	(3,175)	(530)	(146)	(183)	(11)	–	(713)
Closing Balance as at 30 June	**33,625**	**5,631**	**5,524**	**5,450**	**1,502**	**8,874**	**19,955**

16. Biological Assets (Consumable) (continued)

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

Consumable Biological Assets Group
Livestock

	2020 Quantity	$000	2019 Quantity	$000
Sheep				
Mature Sheep	25,228	4,458	24,203	4,701
Immature Sheep	8,397	1,172	8,777	1,315
Total Sheep	**33,625**	**5,631**	**32,980**	**6,016**
Cattle				
Mature Cattle	3,183	3,875	3,193	4,663
Immature Cattle	2,341	1,575	2,285	1,842
Total Cattle	**5,524**	**5,450**	**5,478**	**6,505**

Forestry

	2020 Hectares	$000	2019 Hectares	$000
Forest Tree Crop				
Total Forestry	**1,502**	**8,874**	**1,441**	**11,663**
Total Biological Assets as at 30 June		**19,955**		**24,184**

16. Biological Assets (Consumable) (continued)

The fair value of livestock is determined by independent valuation as at 30 June 2020. 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 2020 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:

	2020	2019
Appropriate Discount Rate (pre-tax)	6.0%	6.0%
Rate of inflation	1%	1.5%
Rate of tax	28%	28%

17. Equity Instruments

	Actual 2020 $000	Budget Unaudited 2020 $000	Actual 2019 $000
At fair value			
Shares - unlisted	497	–	464
Shares - listed	2	–	2
	499	–	466

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 2020

	NZ Emission Units Post 1989 Quantity	$000
Opening Balance as at 1 July	**174,382**	**4,019**
Received by government grant at fair value	–	–
Valuation Increase/(Decrease)	–	1,517
Closing Balance at 30 June	**174,382**	**5,537**

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
Valuation Increase/(Decrease)	–	296
Closing Balance at 30 June	**174,382**	**4,019**

19. 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 $5.0m determined at 30 June 2020 (2019: $3.633m). 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 $8.7m determined at 30 June 2020 (2019: $6.325m). 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.

20. Capital commitments

The Group has Capital commitments at 30 June 2020 of $97k, this is for upgrades at Waikanae Beach Holiday Park, (2019, nil).

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 Consolidated	**2020 $000**	**2019 $000**	**2020 $000**	**2019 $000**	**2020 $000**	**2019 $000**
Shareholder:						
Gisborne District Council						
Rates materials and dog registrations paid	–	–	**196**	206	–	–
Subvention payment and Dividends	–	–	–	–	**2,153**	1,897
Management Fee	**121**	120	–	–	–	–
Rental	**1,972**	1,880	**50**	72	–	–
Property Maintenance	**75**	100	–	–	–	–
Fleet Maintenance	**64**	376	–	–	–	–

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	2020 $000	2019 $000
Short-term employee benefits	194	200
Employees paid over $100,000 per year		
$100,000 - $109,999	1	–
$110,000 - $119,999	–	1
$120,000 - $129,999	2	–
$130,000 - $139,999	–	–
$140,000 - $149,999	1	2
$150,000 - $159,999	1	–
$160,000 - $169,999	–	–
$170,000 - $179,999	–	-
$180,000 - $189,999	–	1
$190,000 - $199,999	–	–
$200,000 - $209,999	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.

	2020 $000	2019 $000
Contracted Future Minimum Rental Income		
Within one year	1,833	2,282
After one year but no more than five years	8,408	7,854
After more than five years	28,555	22,230

23. Subsequent events

The Directors resolved on the 15 September 2020 to recommend a final dividend for the year ended 30 June 2020 of $1.25m in total.

24. Government Grants

GHL accessed the Governments wage subsidy scheme during the year. There are no outstanding contingencies or unfulfilled conditions relating to these grants at balance date. The amount received for the year ended 30 June 2020 was $0.279m.

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. Financial targets

	2020 $000	Actual 2020 $000	Actual 2019 $000
A return on shareholder' funds ratio of at least 4% (1)	Not Achieved	**1%**	3%
A bank debt to bank debt plus equity ratio of no more than 20% (2)	Achieved	**14%**	17%
A minimum five year rolling average GDC return on investment of 2-3% (3)	Achieved	**2%**	2%
An interest coverage ratio of at least times 4.0 (4)	Achieved	**6**	7
A shareholder funds to total assets ratio of no less than 80%	Achieved	**80%**	78%
GHL Meets the minimum level of distribution outlined in the SOI	Achieved	**$1.8m**	$1.8m

(1) EBIT / Average Shareholder's funds
(2) Bank / Bank + Equity
(3) Distribution / Net Assets. Averaged over 5 years
(4) EBIT&Reval / Financing expenditure

Statutory information

Directors holding office during the year

Robert James Telfer	Chairperson
David Mullooly	Deputy Chairperson
Andrew Allan	
Jacqueline Blake	Appointed 25/06/2020
Hayden Swann	Appointed 25/06/2020
Peter Stanley Reeves	Retired 30/06/2020
Ming Lee-Pollard	Retired 30/06/2020

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 2020 was as follows:

R Telfer	$64,445
D Mullooly	$32,222
A Allan	$32,222
P Reeves	$32,222
M Lim-Pollard	$32,222
J Blake	$404
H Swann	$404

In addition to directors' fees the following amount for vehicle and expense reimbursement was $673 (2019: $2,572)

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	Chairperson
David Mullooly	Deputy Chairperson
Andrew Allan	
Jacqueline Blake	
Hayden Swann	
Peter Stanley Reeves	
Ming Lim-Pollard	

Registered Office
The Works Building
41 Esplanade
Gisborne 4010

Postal Address
PO Box 694 Gisborne 4040
Telephone: 020 4183 4481

Senior Management

Tracey Johnstone	Chief Executive

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

Tax Agent
Pricewaterhouse Coopers
PO Box 645 Napier 4140

Bankers
ANZ - Gisborne Branch
PO Box 1246 Gisborne 4040

Solicitors
Grey Street Legal – Gisborne Holdings Limited
PO Box 146 Gisborne 4040

"Thank you to the directors, senior management team and all our staff for your continued dedication and contribution to Gisborne Holdings Ltd."

GISBORNE HOLDINGS LTD

Investment for local return

www.gisborneholdings.co.nz