A blank canvas

GHL Annual Report 2022

GHL has been working hard for the people of Tairāwhiti since 2016, but faced with new challenges, it's time to be bold and think differently. So we're starting over, wiping the slate clean, and resetting our priorities. Right now, GHL is a blank canvas.

Over the coming year, we're going to be asking some big questions as we build a new future.

Questions about:

_Our Responsibilities

_Our Assets

_Our Partnerships

Our Responsibilities

We'll be reviewing our responsibilities as an organisation, and figuring out what the community needs most from us.

Who holds GHL accountable?

GHL reports directly to its Councillors, but from a wider aspect, it is the Tairāwhiti community who will publicly ensure GHL are operating in an appropriate manner.

What is the quadruple bottom line and how does this affect GHL?

GHL is not just a purely commercial entity. We are focused on increasing returns to GDC, by understanding the impacts this will have from a social, cultural, environmental and economic aspect for the region.

What sort of things does the community want us to be doing?

Alignment with Gisborne District Council's Long Term Strategic Direction is critical to answering this question.

Our Assets

We'll be re-evaluating the assets we own and manage, to ensure they are adding value and delivering sustainable returns for our region.

Why are we testing our asset portfolio?

To be assured this is the right investment: socially, environmentally and ethically with a sustainable return and intergenerational benefits.

How have GHL's community assets performed since 2016?

The asset values have increased YoY since taking ownership in 2016. GHL operates under the belief that we are here to maintain and grow revenue for not just this generation, but future generations to ensure Tairāwhiti is a thriving region.

Is it the right mix of assets to provide the best returns for the community and GDC?

We understand that access to capital is limited within this region and are reviewing GHL's assets to look for opportunities to help this region to continue to grow and develop. This may mean our asset base will change.

Our Partnerships

We'll be analysing our strategic partnerships to see where the biggest opportunities lie.

Who should GHL partner with to provide the best investment decisions?

We believe that genuine collaboration will create the best outcome for future generations. We are committed to establishing strong working relationships with partners including local Iwi and public businesses, Matai and Eastland Group.

How do we create sustainable returns?

This involves a lot of strategic planning. By having the opportunity to align with key regional agents on a strategic regional plan, we will be best placed to deliver sustainable returns for our people.

Do service agreements between GDC and GHL benefit both organisations? Or are they causes for disagreements and conflict?

This is yet to be seen.

Chairman's Report

We are the investment partner for regional economic success.

Chair and Chief Executive Report 2022

Despite the undoubted improvements communicated in last year's Annual Report, 2022 has flushed out some systemic challenges within the structure and composition of the Group that have become clearer with the Council-commissioned Independent Review of GHL by PwC which was undertaken earlier this year.

Pleasingly, the issues raised by both new directors and PwC are structural in nature and are not issues relating to the performance of the Company or it's Directors. In fact, the PwC report is complimentary of the performance of GHL within the constraints described above.

I will talk more about the structural issues shortly, but in relation to our performance during 2021/22 the following are the highlights:

Financial Results

Earnings before interest, tax, amortisation and revaluation (EBITDAR) was $4.6m, down 11% on the prior year despite the capital gain on sale of assets of $1.4m, driven by negative contributions from Farming -$0.9m (fewer cattle sales) and Holiday Park -$0.7m (COVID-19 impact).

Equity rose $31.4m or 26% to $154.4m driven by increases in the Farm valuation which in turn has been driven by its "highest and best use", and considered to be forestry.

Total assets grew 17% to $174.4m, an increase of 85% over the past six years.

Cashflow for the year was positive, ending $2.5m up on the opening position however this was entirely due to the sale of Childers Rd, without which our operating cashflow would have been negative $1.6m. GH's debt ratio reduced from 12% to 9% due to the positive cashflow and increase in equity.

Distribution

GHL will make a cash distribution to the Gisborne District Council of $2.7m for the year ending June 2022, this is an increase of 31% on the prior year.

Payment will be made in March 2023 as per our distribution policy.

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' systems and practices and continue to lift the health and safety bar.

Health and Safety across GHL sits with all of us and we are pleased with our track record this year, with only one lost time injury across the Group for staff and contractors this year.

Our People

We have an amazing team of passionate staff who have continued to work hard for the Tairāwhiti community despite the challenges of Covid-19 and the disruptive anxiety that often comes from external strategic reviews. During the year we had some of our leaders leave the company, including Tracey Johnstone our CEO and Rob Budd our GM Commercial Property. Both Tracey and Rob worked hard for the GHL cause and we thank them for their service.

Our Board also changed quite significantly during the year with Jacqueline Blake departing and Josh Wharehinga and myself being appointed to the Board. Rob Telfer will also be departing the Board shortly after a successful nine-year tenure which has seen the Group significantly improve it's performance.

My personal thanks go out to my fellow Board members who are passionate about thebusiness and the region, their candour and diversity provides for robust debate around our potential role in the future.

Finally, to the amazing leadership team of Sophie Ricard and Jeremy Raymond – a huge thanks for stepping up to fill the not insignificant shoes that Tracey and Rob left on their departure. It has been a challenging but exciting time, and the Board is excited to be working with you as we look to reposition GHL to make an even more positive contribution to Tairāwhiti.

Successes 2021/22

The first stage of the PwC Strategic review has been completed and we have engaged in three workshops with GDC Councillors to look at options and opportunities to make GHL a more positive contributor to the regional economy. This review and engagement provides us with a great platform to take this engagement to the community and we look forward to doing this over the coming months.

The world has changed significantly for both GHL and the region and there are some big decisions for us to make to adapt to the future that's ahead of us.

The GHL leadership team has been much more active in building relationships and exploring potential collaborations with other capital providers in the region. This engagement will continue as GHL rebuilds its critical role as a key player in Tairāwhiti Inc.

We have demonstrated our new approach to regional collaboration on a "best for region" basis in the restructured deal with Matai on the sale of 466 Childers Rd back in June. When we reviewed the transaction through this new collaborative lens we were able to help Matai focus their capital on developing their campus which is an amazing opportunity for the region, while being able to leave GHL to co-develop some accommodation on the site at the same time. We believe this will provide a win/win/win for Matai/GHL/and the region.

While apparently controversial, the sale of GVT was successfully achieved during the year and an operator that is better equipped than us to invest and develop the operation is in place. GHL believes that this strategy of developing assets and then finding a better owner than us to own and operate it, is the right answer for a region that needs to see capital recycled into new projects. GHL remains the owner of the land and we generate a low-risk return on that asset that is able to be either reinvested or paid to GDC as a dividend.

The same applies to the Wash'n Go. This operation has been established for good reason. Not because GHL wants to own a car wash, but because we had a piece of land that wasn't generating a return, and so activating a business on that small site now gives us a potential opportunity to find an operator that wants to own the business – and we can remain the landlord. In this way we have generated a return on a piece of land where there wasn't a return for the community previously.

The Holiday Park has performed solidly through the year – despite Covid-19, and while returns were obviously affected by lockdowns, it has recovered strongly, and we are now playing a helpful role in supporting worker accommodation options for businesses in the region during our off season. This presents additional opportunities for GHL to potentially provide worker accommodation using our booking systems and expertise and we are presently engaging with many of the regions employers to see if there is an extended role that we might be able to play. The logic here is that we would rather see our businesses invest their capital into their core businesses rather than into adjacencies such as accommodation.

We have also collaborated with GDC to help it deliver the new water treatment plant on land previously owned by GHL.

Finally, we have provided distributions of $2.7 million to our shareholder this financial year when our SOI commitment was $1.9m.

Unfortunately, when we look at the operating cashflow above together with the reasons that are articulated below, we do not believe that distributions at this level are sustainable without some substantial changes in our portfolio mix.

Strategic outlook

This is where things get interesting...

The expectation from Gisborne District Council is that GHL will produce increasing dollar returns to allow the Council to either ameliorate the rates impost for ratepayers, or itself reinvest those returns into projects of its choosing.

Over the past several years GHL has largely met this increased expectation as follows:

2017	**$2,548,000**
2018	**$1,700,000**
2019	**$1,800,000**
2020	**$2,000,000**
2021	**$2,059,000**
2022	**$2,700,000**

However, this has come at a significant cost to the balance sheet of GHL as it has either had to sell assets or defer capex/opex in order to fund these distributions. This is simply more evidence that the portfolio that GHL has been asked to manage is simply not one that allows for such a level of distribution.

Here is the high level explanation:

Farming:
c56% of portfolio; steady revaluation increases but very low cash returns (c1-2%),

Forestry:
c12% of portfolio; consistent returns but generally zero cash flow for term of investment, excepting potential sale of carbon,

Holiday Park:
c3% of portfolio; volatile depending on tourism patronage, not much price flexibility and small % of portfolio,

Property:
c29% of portfolio; mostly leased to our shareholder which causes tension (and a zero-sum game) over rental increases. Steady low single-digit rental returns.

In addition, the property portfolio is not an efficient investment – especially for GDC, because GHL pays tax on the rental income that it receives from GDC – before returning the residual profit amount (net of tax) to GDC by way of dividend. This simply does not make sense from a "best for region" perspective and needs to be fixed.

So, while GHL faces some stark and difficult choices ahead, it is equally important that the region focuses on the potential opportunities that are likely to open up once these decisions are made. Some very early examples of these changes that we are already doing are outlined at the beginning of this report.

Let me take you through this...

- Looking at the current portfolio of assets, if the purpose of GHL is to generate cash dividends for Gisborne District Council, then we just do not have the correct portfolio to do that given that a substantial majority of our assets are farm assets where most of our upside is in the form of capital appreciation.
- If the purpose of GHL is to simply "do the best" with the assets that we were settled, then we still don't actually have the correct portfolio for that job either. This is highlighted by the following example; that simply trying to keep the farm operating at an "appropriate" standard is a big challenge and will require significant investment (at least $10m as advised by our advisors) and as a result we will require access to substantially more capital than we have available or are able to access.
- If we want to actually do the job we think that we should be doing, which is to be the active investment partner of the Gisborne District Council in the region, then to be frank – we have zero chance.

But on the flip side, nor does GHL have sufficient borrowing capacity (or debt servicing capability) to debt fund our way into a better place.

So, the Board is clear that doing what we have been doing for the past several years and expecting the results to be different – is no longer an option.

Unfortunately, we simply have no choice but to consider this question:

"How does GHL restructure its assets in a way that allows it to meet the expectation of both our shareholder and our stakeholders in the region?"

We look forward to engaging with the community over coming months to work out what that might look like.

Ngā mihi nui

John Rae
Chairman

Financial Statements

For the year ended 30 June 2022

Directors' Report 2022
for the year ended 30 June 2022

The Board of Directors present their consolidated financial statements for Gisborne Holdings Limited for the year ended 30 June 2022 and the auditor's report thereon.

For and behalf of the Board of Directors:

J. Rae

D. Mullooly

20 September 2022

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF GISBORNE HOLDINGS LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

The Auditor-General is the auditor of Gisborne Holdings Limited (the company). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 33 to 59, that comprise the statement of financial position as at 30 June 2022, 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 company on pages 59 and 60.

In our opinion:

- the financial statements of the company on pages 33 to 59:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on page 59 and 60 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2022.

Our audit was completed on 21 September 2022. 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.

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Basis for our opinion

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

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

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

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

The Board of Directors is responsible on behalf of the company 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 company.

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 company for assessing the company'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 company 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 company's statement of intent.

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

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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 company'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 company'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 company'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 company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 during 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 25 and 61 to 66, 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.

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working world

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 that fact. We have nothing to report in this regard.

Independence

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

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

Stuart Mutch
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand
21 September 2022

Statement of comprehensive income for the year ended 30 June 2022

	Notes	Actual 2022 $000	Budget unaudited 2022 $000	Actual 2021 $000
Revenue from contracts with customers				
Tauwhareparae Farms		**6,506**	5,614	7,419
Property Holdings		**204**	199	222
Car Wash & Gisborne Vehicle Testing Station		**615**	1,171	727
Waikanae Holiday Park		**2,252**	1,833	3,068
Developments (Childers)		**-**	370	-
Total Revenue from contracts with customers	5.1	**9,577**	**9,187**	**11,436**
Revenue other				
Rental Income		**2,372**	2,260	2,258
Capital gain on disposal of assets		**1,422**	-	-
Change in Valuation of Investment Property, Livestock, Forestry and Carbon Credits		**756**	-	14,083
Total Revenue other		**4,550**	**2,260**	**16,341**
Total Revenue		**14,127**	**11,447**	**27,777**
Cost of sales				
Tauwhareparae Farms		**2,596**	2,451	2,573
Property Holdings		**609**	495	441
Car Wash & Gisborne Vehicle Testing Station		**130**	167	108
Waikanae Holiday Park		**425**	299	483
Total Cost of Sales		**3,760**	3,412	3,605
Gross Profit		**10,367**	8,035	24,172
Total Income		**10,367**	8,035	24,172
Expenditure from continuing operations				
Salaries and Wages		**3,285**	3,637	3,643
Administrative Expenditure		**1,584**	975	1,048
Depreciation		**886**	874	731
Loss on sale of assets		**51**	-	129
Financing Expenditure		**513**	615	367
Total Expenditure		**6,319**	6,101	5,918
Net Operating Profit/(Loss) before taxation	5.2	**4,048**	1,934	18,254
Subvention Payment – Gisborne District Council		**(200)**	(400)	(400)
Taxation (expense)/credit	8	**(1,292)**	(538)	(946)
Net Profit/(Loss) for the period		**2,556**	996	16,908

Statement of comprehensive income for the year ended 30 June 2022 (continued)

	Notes	Actual 2022 $000	Budget unaudited 2022 $000	Actual 2021 $000
Other comprehensive income				
Revaluation gain on property, plant and equipment	15	**26,271**	-	8,519
Deferred tax on building revaluations		**1,339**	-	(1,399)
Revaluation gain/(loss) on carbon credits	18	**4,074**	-	1,469
Deferred tax on carbon credits revaluation		**(1,141)**	-	(574)
Other comprehensive income for the year attributable to owners of the company		**30,543**	-	8,015
Net profit/(loss) for the year		**2,556**	996	16,908
Total comprehensive income for the year attributable to owners of the company		**33,099**	996	24,923

Statement of changes in equity for the year ended 30 June 2022

	Ordinary Shares $000	Asset Revaluation Reserve $000	Carbon Credit Revaluation Reserve $000	Fair Value Reserve $000	Retained Earnings $000	Total $000
At July 2021	33,478	48,868	1,127	(5)	39,542	123,010
Net profit/(loss) for the year	-	-	-	-	2,556	2,556
Other comprehensive income	-	27,610	2,933	-	-	30,453
Realised gains on sale	-	-	-	-	-	-
Total comprehensive income for the year	-	27,610	2,933	-	2,556	33,099
Transactions with owners in their capacity as owners						
Shares Issued	-	-	-	-	-	-
Dividend	-	-	-	-	(1,659)	(1,659)
At 30 June 2022	33,478	76,478	4,060	(5)	40,439	154,450

Statement of changes in equity for the year ended 30 June 2021

	Ordinary Shares $000	Asset Revaluation Reserve $000	Carbon Credit Revaluation Reserve $000	Fair Value Reserve $000	Retained Earnings $000	Total $000
At July 2020	33,478	41,748	232	(5)	23,884	99,337
Net profit/(loss) for the year	-	-	-	-	16,908	16,908
Other comprehensive income	-	7,120	895	-	-	8,015
Realised gains on sale	-	-	-	-	-	-
Total comprehensive income for the year	-	7,120	895	-	16,908	24,923
Transactions with owners in their capacity as owners						
Shares Issued	-	-	-	-	-	-
Dividend	-	-	-	-	(1,250)	(1,250)
At 30 June 2021	33,478	48,868	1,127	(5)	39,542	123,010

Statement of financial position
as at 30 June 2022

	Notes	Actual 2022 $000	Budget unaudited 2022 $000	Actual 2021 $000
Contributed Equity	6	**33,478**	33,478	33,478
Retained Earnings	7	**40,439**	22,638	39,542
Reserves	7	**80,533**	44,426	49,990
Total Equity		**154,450**	100,542	123,010
Represented by:				
Current Assets				
Cash and cash equivalents		**2,451**	-	2
Trade and other receivables	10	**2,403**	412	264
Inventories	11	**221**	211	196
Total Current Assets		**5,075**	623	462
Current Liabilities				
Bank	12	**-**	2,381	102
Payables and Accruals	13	**1,377**	1,751	1,475
Gisborne District Council - Current Account		**206**	550	408
Taxation		**662**	272	332
Term loan facility	12.1	**15,005**	-	-
Lease liability	15.2	**115**	116	57
Total Current Liabilities		**17,365**	5,070	2,374
Net Working Capital		**(12,290)**	(4,447)	(1,912)
Non-current Assets				
Investment property	14	**45,465**	35,779	48,751
Property, plant & equipment	15.1	**95,080**	62,330	70,552
Right of use assets	15.2	**1,367**	1,448	1,447
Biological assets	16	**22,500**	19,673	22,162
Equity Instruments at fair value through other comprehensive income	17	**497**	497	497
Investments in shares	17	**2**	2	2
Investments in subsidiaries				
Intangible assets - NZ Emission Units	18	**9,512**	6,531	5,437
Total Non-current Assets		**174,423**	126,260	148,848
Non-current Liabilities				
Financial liabilities - term loan	12.1	**-**	15,380	15,900
Deferred tax	8	**6,354**	4,512	6,582
Lease liability	15.2	**1,329**	1,379	1,444
Total non-current Liabilities		**7,683**	21,271	23,926
Net Assets		**154,450**	100,542	123,010

For and on behalf of the Board, who authorise the issue of these financial statements on 20 September 2022.

J. Rae

D. Mullooly

Statement of cash flows
for the year ended 30 June 2022

	Actual 2022 $000	Budget unaudited 2022 $000	Actual 2021 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers	**11,944**	11,448	14,297
	11,944	11,448	14,297
Cash was applied to:			
Payments to suppliers & employees	**8,915**	8,027	8,729
Income tax refunds payments / (refunds)	**996**	538	897
	9,910	8,565	9,626
Net cash inflow/(outflow) from operating activities	**2,033**	2,883	4,671
Cash flows from investing activities			
Proceeds from sale of fixed assets	**4,184**	-	22
	4,184	-	22
Cash was applied to:			
Purchase of fixed assets	**367**	2,600	2,193
	367	2,600	2,193
Net cash inflow/(outflow) from Net cash investing activities	**3,817**	(2,600)	(2,171)
Cash flows from financing activities			
Cash was provided from:			
Term loan	**-**	2,000	-
	-	2,000	-
Cash was applied to:			
Dividends & subvention payment paid	**1,659**	1,350	1,250
Gisborne District Council - Current Account	**400**	400	550
Interest paid	**347**	614	230
Term Loan repayment	**894**	620	-
	3,300	2,984	2,030
Net cash inflow/(outflow) from financing activities	**(3,300)**	(984)	(2,030)
Net increase/(decrease) in cash held	**2,551**	(701)	469
Opening cash brought forward	**(100)**	(1,680)	(569)
Ending cash carried forward	**2,451**	(2,381)	(100)
Cash at year end:			
Cash and cash equivalents	2,451	-	2
Bank wholesale advances	-	(2,381)	(102)
Ending cash carried forward	**2,451**	(2,381)	(100)

Notes to the financial statements

1. Corporate Information

Gisborne Holdings Limited is a company incorporated and domiciled in New Zealand and is a Council-Controlled Trading 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 Financial Statements for Gisborne Holdings Limited are for the year ended 30 June 2022. The Financial Statements were authorised on 20 September 2022.

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 Company 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 where accounting policies state assets or liabilities are carried 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 Directors are satisfied that the current loan facility can be extended at any point in time utilising the assets maintained on the balance sheet as security. Therefore the going concern assumption has been applied.

Comparative information in relation to the recognition of available NZ Emissions Units has been reclassified to align with the current year classification and/or disclosures.

(b) Statement of Compliance
The financial statements of Gisborne Holdings Limited 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 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 company 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) 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.

(d) Trade Receivables
Trade receivables, which generally have 30-60 day terms, are recognised 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 recognised when there is objective evidence that the Company 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. Present value is calculated under IFRS 9 expected credit loss model, where FV of receivables is calculated based on the future values of these balances in 1 year, using the companies incremental borrowing rate.

(e) 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.

(f) 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.

(g) 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.

(h) 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 on 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 Company applies the categories 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 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 Company 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 Company 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.

(i) 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.

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
IT equipment – 4 years
Leasehold improvements – 2 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate annually.

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.

(j) 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 Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(k) Emissions Trading Scheme
Gisborne Holdings Limited has voluntarily entered the New Zealand Emissions Trading Scheme ("ETS") in respect of 1,224 hectares of forest land located in the Tauwhareparae area. This entitles Gisborne Holdings Limited to receive emission units ("units") for carbon stored in the specified area, from 1 January 2008 baseline.

Units that have been estimated to have been sequestered and / or registered that are forecast to be in excess of those that are required to be returned in the normal course of harvest are recognised at fair value at the date that they are estimated to be controlled. Measurement at subsequent year ends is at fair value referenced to market prices with movements being recorded in other comprehensive income.

At the point of time where trees are harvested, an obligation to surrender units occur. At that point in time a liability for the fair value of the units expected to be surrendered are recognised. An asset relating to units previously held, but not recognised (as they are deemed to to be available for trading as they are expected to be surrendered in the normal course of the management of the forest), is also recognised at that point in time at fair value.

(l) 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 Company 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.

(m) 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 Company prior to the end of the financial year that are unpaid and arise when the Company 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.

(n) 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 Company 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.

(o) Provisions and Employee Benefits
Provisions are recognised when the Company 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 Company 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.

(p) 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 fulfillment 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.

Company 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.

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 - 324 months
Worxs Buildings Lease - 120 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.

Company as a lessor
Leases in which the Company 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.

(q) 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.

(r) 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 Company expects to be entitled in exchange for those goods or services.

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

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

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

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

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

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.

(t) 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 Company's principle financial instruments comprise receivables, payables, bank loans and overdrafts, available-for-sale investments, cash and short-term deposits.

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

The Company 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, including interest rate risk, credit allowances, and future cash flow forecast projections.

4. Significant accounting judgements, estimates and assumptions

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

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

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

(i) Significant accounting judgements
Impairment of non-financial assets other than goodwill and indefinite life intangibles.
The Company 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.

Notes to the financial statements (continued)

Taxation
The Company 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.

Leases
The Company has several lease contracts that include extension and termination options. The Company 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 Company 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.

NZ Emission Units
Units estimated to be available to the Company over and above those estimated to be required to be surrendered in the normal course of harvesting have been recognised at fair value as an asset on the balance sheet. Units estimated to be required to be surrendered in the normal course of forestry management and harvesting are not recognised as an asset, as an equal and offsetting liability would also be expected to be recognised at the point of harvest as an obligation to surrender those units would occur at that time.

5.1 Revenue from contracts with customers

2022

	Tauwhareparae Farms Actual 2022 $000	Property Holdings Actual 2022 $000	Gisborne Vehicle Testing Station Actual 2022 $000	Waikanae Holiday Park Actual 2022 $000	TOTAL Actual 2022 $000
Major Goods					
LiveStock	6,046	-	-	-	6,046
Wool	264	-	-	-	264
Forestry	-	-	-	-	-
Other	193	-	-	15	208
Total Goods	6,503	-	-	15	6,519
Major Services					
Accommodations	-	-	-	2,168	2,168
Other	3	204	615	69	891
Total Services	3	204	615	2,237	3,059
Total	6,506	204	615	2,252	9,577

2021

	Tauwhareparae Farms Actual 2021 $000	Property Holdings Actual 2021 $000	Gisborne Vehicle Testing Station Actual 2021 $000	Waikanae Holiday Park Actual 2021 $000	TOTAL Actual 2021 $000
Major Goods					
LiveStock	6,924	-	-	-	6,924
Wool	212	-	-	-	212
Forestry	21	-	-	-	21
Other	216	-	-	19	234
Total Goods	7,373	-	-	19	7,392
Major Services					
Accommodations	-	-	-	2,956	2,956
Other	46	222	727	93	1,088
Total Services	46	222	727	3,049	4,044
Total	7,419	222	727	3,068	11,436

5.2 Net operating profit/(loss) before taxation includes

	Actual 2022 $000	Budget Unaudited 2022 $000	Actual 2021 $000
After charging:			
Audit fees	**60**	62	60
Directors' fees	**237**	200	197
Employee benefit expenditure	**3,048**	3,637	3,643
Depreciation:			
- Buildings & Improvements	**556**		415
- Plant and equipment	**213**	-	180
- Motor Vehicles	**117**	-	135
Financing Expenditure :			
- Short term Advance Facility	**344**	615	197
- Overdraft	**35**	-	34
- Lease Depreciation	**80**	-	81
- Lease Interests	**54**	-	56

6. Contributed Equity

	Actual 2022 $000	Budget Unaudited 2022 $000	Actual 2021 $000
Issued and paid up			
Balance at 1 July	**33,478**	33,478	33,478
Balance at 30 June	**33,478**	33,478	33,478

7. Retained Earnings and Reserves

	Actual 2022 $000	Budget Unaudited 2022 $000	Actual 2021 $000
Retained Earnings			
Balance at 1 July	**39,542**	21,643	23,884
Net Profit attributable to equity holders	**2,556**	995	16,908
Dividend	**(1,659)**	(1,350)	(1,250)
Balance at 30 June	**40,439**	21,288	39,542
Asset Revaluation Reserve			
Balance at 1 July	**48,868**	44,431	41,748
Revaluation of Land	**32,216**	-	3,523
Revaluation of Buildings	**(5,945)**	-	4,996
Deferred tax on Buildings revaluation	**1,339**	-	(1,399)
Balance at 30 June	**76,478**	44,431	48,868
Fair Value Reserve			
Balance 1 July	**(5)**		(5)
Balance at 30 June	**(5)**	-	(5)
Carbon Credit Revaluation Reserve			
Balance at 1 July	**1,127**	-	232
Revaluation of Carbon Credits	**4,074**	-	1,469
Deferred tax on Carbon Credits revaluation	**(1,141)**	-	(574)
Balance at 30 June	**4,060**	-	1,127
Total Closing Balance Revaluation Reserves	**80,533**	44,431	49,990

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.

Revaluation Reserve
The revaluation reserve arises on revaluation of investments which are recognised as assets.

Interest rate risk
The Company's financial assets and liabilities which are exposed to interest rate risk include cash and deposits and secured bank loans. The Company 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 2022 $000	Budget Unaudited 2022 $000	Actual 2021 $000
(a) Income Tax			
The major components of income tax expenses are:			
Income Statement			
Current income tax			
Current period income tax charge	**1,273**	538	851
Prior period adjustment	**78**	-	-
Deferred income tax			
of temporary differences	**4**	(3,423)	99
Prior period adjustment	**(63)**	(74)	(4)
Income tax expense/(credit) reported in the income statement	**1,292**	(2,885)	946
(b) Amounts charged or credited directly to other comprehensive income			
Relating to revaluation of Carbon Credits	1,141	-	574
Relating to revaluation of buildings	(1,665)	-	-
Relating to revaluation of buildings - PPA	326	-	-
Income tax expense reported in other comprehensive income	(198)	-	574
(c) Numerical reconciliation between aggregate tax expense recognise in the statement of comprehensive income and tax expense calculated per statutory income tax rate			
Total accounting profit/(loss) before income tax	**3,848**	1,533	17,854
At the Company's statutory income tax rate of 28% (2021: 28%)	**1,077**	429	4,999
Herd livestock adjustment	**(429)**	(429)	(212)
Prior period adjustment	**15**	15	(4)
Non-deductible income and expenses	**628**	1,248	(3,674)
Change in tax depreciation on buildings	**-**	-	-
IFRS 16	**-**	-	-
Aggregate income tax expense/(credit)	**1,292**	1,263	1,109
Aggregate income tax expense/(credit) is attributable to:			
Continuing operations	**1,292**	1,263	1,109
	1,292	1,263	1,109
Effective tax rate	**33.08%**	35.09%	84.00%
Imputation credit balance	**3,405**	3,405	2,900
(d) Recognised deferred tax assets and liabilites			
Deferred income tax at 30 June relates to the following			
(i) Deferred tax liabilites			
Biological assets	**3,559**	2,905	3,584
Building revaluations	**60**	-	1,399
Accelerated depreciation: buildings, plant & equipment, motor vehicles	**203**	137	165
IFRS 16	**(21)**	(8)	(15)
Other	**(111)**	(72)	(74)
NZ Emission Units	**2,664**	1,550	1,523
Gross deferred tax liabilities	**6,354**	4,512	6,582
Set-off of deferred tax assets	**-**	-	-
Net deferred tax liabilities	**6,354**	4,512	6,582

9. Subvention Payments Paid

	Actual 2022 $000	Budget Unaudited 2022 $000	Actual 2021 $000
Paid during the year			
Subvention payment 2021	**-**	-	400
Subvention payment 2022	**200**	400	-
	200	400	400

10. Financial assets at fair value through profit or loss

	Actual 2022 $000	Budget Unaudited 2022 $000	Actual 2021 $000
Trade receivables	**16**	412	78
Related party receivable Gisborne District Council	**2,387**	-	186
Balance at 30 June	**2,403**	412	264

The fair value of debtors has been assessed under the IFRS 9 expected credit loss model, there are no impaired trade and other receivables to disclose.

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

11. Inventories

	Actual 2022 $000	Budget Unaudited 2022 $000	Actual 2021 $00 0
Farm supplies on hand	**137**	200	117
Wool on hand	**70**	-	67
Goods for sale	**14**	11	12
Balance at 30 June	**221**	211	196

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.

12.1 Financial Liabilities – term loan

Term Facilities of $15m are in place with ANZ Bank New Zealand Limited, which is fully drawn as at 30 June 2022. The facilities are secured by way of mortgage and general security agreement and terminate on 28 February 2023.

13. Payables and Accruals

	Actual 2022 $000	Budget Unaudited 2022 $000	Actual 2021 $000
Trade creditors and accruals	**1,049**	1,451	1,129
Accrued staff entitlements	**328**	300	346
	1,377	1,751	1,475
Related party payable Gisborne District Council	**206**	550	408
Balance at 30 June	**1,583**	2,301	1,883

Fair Value

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

Related party payable to Gisborne District Council comprises of trade payables at normal terms of trade. Dividend and subvention payable balances are on terms in accordance with Statement of Intent.

14. Investment Property

For the year ended 30 June 2022

	Land $000	Buildings $000	Total $000
Cost or valuation			
At 30 June 2020	16,293	19,000	**35,293**
Additions at cost	-	14	**14**
Disposals at net book value	-	-	**-**
Revaluation adjustment	8,658	4,786	**13,444**
At 30 June 2021	**24,951**	**23,800**	**48,751**
Additions at cost	613	409	**1,022**
Disposals at net book value	(4,726)	-	**(4,726)**
Revaluation adjustment	248	170	**418**
At 30 June 2022	**21,086**	**24,379**	**45,465**

The Company's investment properties consist of nine properties (2021: 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 2022, 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 $2.346m (2021: $2.157m). Direct operating expenses generating rental income were $0.294m (2021: $0.294m).

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 2021							
At 1 July net of accumulated depreciation and impairment	**49,997**	**9,386**	**107**	**4**	**904**	**326**	**60,724**
Additions at cost	-	1,361	94	-	663	103	**2,221**
Disposals and transfers	-	(64)	(92)	-	(4)	(21)	**(181)**
Revaluation adjustment	3,523	4,996	-	-	-	-	**8,519**
Depreciation charged for the year	(181)	(234)	-	(1)	(180)	(135)	**(731)**
At 30 June net of accumulated depreciation and impairment	**53,339**	**15,445**	**109**	**3**	**1,383**	**273**	**70,552**
Year ended 30 June 2022							
At 1 July net of accumulated depreciation and impairment	**53,339**	**15,445**	**109**	**3**	**1,383**	**273**	**70,552**
Additions at cost	-	63	-	-	144	145	**352**
Disposals and transfers	(613)	(394)	(109)	-	(18)	(75)	**(1,209)**
Revaluation adjustment	32,216	(5,945)	-	-	-	-	**26,271**
Depreciation charged for the year	(181)	(375)	-	-	(213)	(117)	**(886)**
At 30 June net of accumulated depreciation and impairment	**84,761**	**8,794**	**-**	**3**	**1,296**	**226**	**95,080**

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 accredited valuers. The fair value as per the valuation at 30 June 2022 was $93.55m (2021: $68.78m).

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 Company.

15.2 Right of use assets and lease liabilities

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

Amounts recognised in the statement of position
Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

For the year ended 30 June 2022

	Buildings $000	Land $000	Total $000
At 30 June 2020	508	1,015	1,523
Additions (Note 15.1)	3	-	3
Disposals (Note 15.1)	-	-	-
Depreciation expense	(44)	(35)	(79)
At 30 June 2021	467	980	1,447
Additions (Note 15.1)	-	-	-
Disposals (Note 15.1)	-	-	-
Depreciation expense	(45)	(35)	(80)
At 30 June 2022	422	945	1,367

Set out below are the carrying amounts of lease liabilities (included under financial expenditure) and the movements during the period:

For the year ended 30 June 2022

	2022 $000	2021 $000
As at 1 July	1,501	1,552
Additions	-	-
Accretion of interest	54	56
Payments	(111)	(111)
At 30 June	1,444	1,497
Current	115	57
Non-current	1,329	1,444
At 30 June 2022	1,444	1,501

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 2022

	Sheep		Cattle		Forestry		Total
	Quantity	$000	Quantity	$000	Hectares	$000	$000
Open balance							
As at 1 July	31,116	6,262	4,651	3,841	1,534	12,059	22,162
Natural Increase	32,328	4,043	2,047	1,706	-	-	5,749
Purchases	77	79	31	158	-	-	237
Change in Fair Value	-	1,015	-	1,647	-	(1,493)	1,169
Sales	(27,846)	(4,045)	(1,896)	(1,974)	-	-	(6,019)
Death, Kills & Recovery	(3,122)	(602)	(157)	(196)	-	-	(798)
Closing Balance as at 30 June	32,553	6,752	4,676	5,182	1,534	10,565	22,500

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

Consumable Biological Assets Group
Livestock

	2022 Quantity	$000	2021 Quantity	$000
SHEEP				
Mature Sheep	25,648	5,710	24,948	5,173
Immature Sheep	6,905	1,042	6,168	1,089
Total Sheep	32,553	6,752	31,116	6,262

	2022 Quantity	$000	2021 Quantity	$000
CATTLE				
Mature Cattle	2,735	3,632	2,646	2,700
Immature Cattle	1,941	1,550	2,005	1,141
Total Cattle	4,676	5,182	4,651	3,841

	2022 Hectares	$000	2021 Hectares	$000
FORESTRY				
Forest Tree Crop				
Total Forestry	1,534	10,565	1,534	12,059

Total Biological Assets as at 30 June		22,500		22,162

The fair value of livestock is determined by independent valuation as at 30 June 2022. The independent livestock valuation was performed by Gisborne East Coast Farmers Ltd, independent livestock agents, in accordance with the Company's accounting policy detailed in Note 2.

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

The gain on initial recognition of livestock sold is recognised in the Statement of Comprehensive Income in the year of sale. At time of sale, wool is recorded as inventory.

The fair value of the forest tree crop is determined by an independent valuation. Independent forestry valuation as at 30 June 2022 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.

The fair value of the forest tree crop excludes the value of the underlying land which is recorded separately in the financial statements. It also excludes the value of New Zealand Emissions Units.

Significant assumptions applied in this determination of fair value are:

	2022	2021
Appropriate discount rate (pre-tax)	**6.0%**	6.0%
Rate of inflation	**1%**	1%
Rate of tax	**28%**	28%

17. Equity Instruments

	Actual 2022 $000	**Budget Unaudited 2022 $000**	**Actual 2021 $000**
At fair value			
Shares - unlisted	**497**	464	497
Shares - listed	**2**	2	2
	499	**466**	499

Investments are in ordinary shares, and therefore have no fixed maturity date or coupon rate.

Value assumptions
(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
The fair value of the unlisted 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 2022

	NZ Emission Units Post 1989	
	Quantity	**$000**
Opening Balance as at 1 July	**125,000**	**5,437**
Valuation Increase/(Decrease)	**-**	**4,075**
Closing Balance at 30 June	**125,000**	**9,512**

For the year ended 30 June 2021

	NZ Emission Units Post 1989	
	Quantity	**$000**
Opening Balance as at 1 July	125,000	3,969
Valuation Increase/(Decrease)	-	1,468
Closing Balance at 30 June	125,000	5,437

19. Contingencies

The Company 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 Company deforest all of its pre-1990 forests, it would have a liability under the ETS to surrender New Zealand emissions units of approximately $12m determined at 30 June 2022 (2021: $6.9m). Should the Company 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 $20.9m determined at 30 June 2022 (2021: $11.9m). 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 Company has no Capital commitments at 30 June 2022 (2021: $.073m).

21. Transactions with Related Parties

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

Related Party Consolidated	Sales to related parties 2022 $000	Sales to related parties 2021 $000	Purchases from related parties 2022 $000	Purchases from related parties 2021 $000	Other transactions with related parties 2022 $000	Other transactions with related parties 2021 $000
Shareholder: Gisborne District Council						
Rates materials and dog registrations paid	-	-	270	266	-	-
Subvention payment and Dividends	-	-	-	-	2,059	1,650
Management Fee	132	132	-	-	-	-
Rental	1,873	1,882	49	49	-	-
Property Maintenance	64	55	-	-	-	-
Fleet Maintenance	14	53	-	-	-	-
Others	2,424	-	54	-	-	-

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	2022 $000	2021 $000
Short-term employee benefits	237	197

Employees paid over $100,000 per year	2022	2021
- $100,000 - $109,999	0	1
- $110,000 - $119,999	0	0
- $120,000 - $129,999	1	0
- $130,000 - $139,999	1	2
- $140,000 - $149,999	1	0
- $150,000 - $159,999	2	2
- $160,000 - $169,999	0	0
- $170,000 - $179,999	0	0
- $180,000 - $189,999	0	0
- $190,000 - $199,999	0	0
- $200,000 - $209,999	1	1

22. Operating Leases

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

	2022 $000	2021 $000
Contracted Future Minimum Rental Income		
Within one year	2,237	2,154
After one year but no more than five years	10,429	8,236
After more than five years	35,793	30,367

23. Subsequent Events

The Directors resolved on 20 September 2022 to recommend a final dividend of the year ended 30 June 2022 of $2.5m.

24. Risk Identification and Management

The Company 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.

25. Capital Management

The Company'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 Company effectively achieves its objectives and purpose, whilst still remaining a going concern.

26. Financial targets

		Actual 2022 $000	Actual 2021 $000
A return on shareholder' funds ratio of at least 3% (1)	Achieved	3%	17%
A bank debt to bank debt plus equity ratio of no more than 25% (2)	Achieved	9%	12%
A minimum five year rolling average GDC return on investment of 5% (3)	Achieved	6%	6%
An interest coverage ratio of at least times 4.0 (4)	Achieved	7	12
A shareholder funds to total assets ratio of no less than 75%	Achieved	86%	82%
GHL Meets the minimum level of distribution outlined in the SOI	Achieved	$1.9m	$1.8m

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

27. Non-Financial targets

GOAL	OBJECTIVE	MEASURE	ACHIEVED
Ensure GHL are effectively managing Community Housing on behalf of GDC.	Residents are satisfied with the GHL's management of Community Housing. Operate within parameters set by GDC.	Annual satisfaction survey of 95% or better. Budgets are adhered to.	**Achieved**
Ensure the Waikanae Beach Top 10 Holiday Park is positively contributing to Tairawhiti's tourism sector.	Customers are satisfied with the service provided by the park staff and facilities provided.	GRI Index score of 85% or better.	**Not Achieved -80%**
Ensure land is managed sustainably and to be a leader in land stewardship.	Land and waterways are managed in line with best practice.	Environmental plans are in place for each of the three stations and budgets incorporate annual spend on measures to implement improvements required. 30m riparian strips are enforced to better protect watercourses from the effects of forestry.	**Achieved**
To make safety our priority and provide a safe environment.	Maximise safety across all divisions. A Health and Safety Calendar and Annual Improvement Plan are in place.	Minimum of 10 Health and Safety Committee meetings held each year. Health and Safety Calendar is reviewed annually and adhered to. The Annual Improvement Plan is agreed in January each year in consultation with an independent Health and Safety provider.	**Achieved**
To maximise returns to GDC.	All assets are fully utilised.	Maintain 100% occupancy across the Property portfolio.	**Achieved**
To be a good employer.	To be a company people want to work.	Training opportunities provided. Annual review of salaries to progress towards our goal of all permanent staff being paid the living wage.	**Achieved**
Ensure assets are managed prudently.	Assets are maintained/ upgraded in a timely cost-effective manner.	A ten-year Asset Management plan is in place. A three-year rolling Maintenance plan is in place. Management and Maintenance plans are reviewed annually to ensure maintenance work is being undertaken and priorities reassessed as required. Annual budgets reflect maintenance plans.	**Achieved**

Statutory information

Directors holding office during the year

John Rae	(Chairman)
David Mullooly	(Deputy Chairman)
Andrew Allan	
Robert Telfer	
Hayden Swann	
Joshua Wharehinga	

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 2022 was as follows:

J Rae	$40,000
D Mullooly	$59,251
A Allan	$37,344
R Telfer	$35,138
J Blake	$11,111
H Swann	$35,138
J Wharehinga	$18,473

In addition to directors' fees the following amount for vehicle and expense reimbursement was paid $6,640 (2021: $1,656)

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

Directory

Directors

John Rae	(Chairperson)
David Mullooly	(Deputy Chairperson)
Andrew Allan	
Robert Telfer	
Jacqueline Blake	(Retired)
Hayden Swann	
Joshua Wharehinga	

Registered Office

The Works Building
41 The Esplanade
Gisborne 4040

Postal Address

PO Box 694
Gisborne 4040
Telephone 020-4183 4481

Senior management

Chief Executive – John Rae – acting

Auditor

Ernst & Young on behalf of the Office of the Auditor General – Stuart Mutch

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

Where to from here?

What does the future look like for GHL?

The future is capital growth and sustainable returns for Tairāwhiti.

How we get there is still a blank canvas...

GISBORNE
HOLDINGS LTD

Investment for local return

TFL
TAUWHAREPARAE
FARMS & LIVESTOCK

TOP 10 Holiday Parks Superior
Waikanae Beach

PROPERTY
HOLDINGS

WashnGo
Gisborne Auto Wash