



Picture: Staff member working on the Annual Report

FINANCIAL STATEMENTS

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INCOME STATEMENT

Income Statement for the year ended 30 June 2011

	note:	Group		Council		
		Actual 2010-11 \$000's	Actual 2009-10 \$000's	Actual 2010-11 \$000's	Budget 2010-11 \$000's	Actual 2009-10 \$000's
Income:						
Rates revenue	3	49,696	47,279	50,062	49,297	47,637
Finance income	4	1,304	1,362	1,243	1,064	1,281
Other revenue	5	56,445	56,028	37,195	35,768	48,571
Gains	6	500	994	210	1,500	928
Total income	2	107,945	105,663	88,710	87,629	98,417
Expenditure:						
Personnel costs	7	21,246	20,359	16,727	16,697	16,062
Finance costs	4	3,610	2,206	598	2,539	176
Other expenses	8	58,734	62,867	53,053	40,767	46,776
Depreciation, impairment and amortisation	8	17,197	18,233	15,234	16,525	14,774
Total operating expenditure	2	100,787	103,665	85,612	76,528	77,788
Surplus before tax		7,158	1,998	3,098	11,101	20,629
Income tax expense / (credit)	9	(55)	3,327	-	-	-
Surplus / (deficit) after tax		7,213	(1,329)	3,098	11,101	20,629

STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income for the year ended 30 June 2011

	note:	Group		Council		
		Actual 2010-11 \$000's	Actual 2009-10 \$000's	Actual 2010-11 \$000's	Budget 2010-11 \$000's	Actual 2009-10 \$000's
Surplus / (deficit) for the year		7,213	(1,329)	3,098	11,101	20,629
Other comprehensive income:						
Gain on property revaluations	25	46,301	9,404	46,301	28,252	12,115
Tax on property valuations	9	-	105	-	-	-
Total other comprehensive income		46,301	9,509	46,301	28,252	12,115
Total comprehensive income		53,514	8,180	49,399	39,353	32,744

The notes on pages 102 to 144 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity for the year ended 30 June 2011

	note:	Group		Council		
		Actual	Actual	Actual	Budget	Actual
		2010-11	2009-10	2010-11	2010-11	2009-10
		\$000's	\$000's	\$000's	\$000's	\$000's
Balance at 1 July		1,266,425	1,258,245	1,214,758	1,199,821	1,182,014
Total comprehensive income for the year		53,514	8,180	49,399	39,353	32,744
Balance at 30 June	25	1,319,939	1,266,425	1,264,157	1,239,174	1,214,758

The notes on pages 102 to 144 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

Statement of Financial Position as at 30 June 2011

	note:	Group		Council		
		Actual 2010-11 \$000's	Actual 2009-10 \$000's	Actual 2010-11 \$000's	Budget 2010-11 \$000's	Actual 2009-10 \$000's
Assets:						
Current assets:						
Cash and cash equivalents	10	8,527	3,547	6,111	5,961	2,504
Debtors and other receivables	11	9,902	7,963	8,534	9,044	6,155
Other financial assets	13	3,388	840	3,388	-	840
Inventory	14	574	569	310	253	262
Tax refund receivable	9	-	1,239	-	-	-
Non-current assets held for sale	15	1,639	3,986	1,639	387	3,986
Total current assets		24,030	18,144	19,982	15,645	13,747
Non-current assets:						
Other financial assets	13	9,960	14,012	15,960	18,243	20,012
Property, plant and equipment	16	1,313,523	1,243,268	1,254,579	1,245,761	1,185,580
Intangible assets	17	709	630	685	549	621
Forestry assets	18	9,263	10,000	9,263	11,051	10,000
Investment property	19	54,859	52,407	1,770	1,743	1,743
Total non-current assets		1,388,314	1,320,317	1,282,257	1,277,347	1,217,956
Total assets		1,412,344	1,338,461	1,302,239	1,292,992	1,231,703
Liabilities:						
Current liabilities:						
Creditors and other payables	21	17,688	12,660	15,888	11,875	11,805
Derivative financial instruments	12	195	239	-	-	-
Provisions	24	376	295	749	-	295
Current tax liabilities	9	132	-	-	-	-
Employee entitlements	23	1,821	1,639	1,281	1,157	1,132
Borrowings	22	29,341	25,520	396	-	1,915
Total current liabilities		49,553	40,353	18,314	13,032	15,147
Non-current liabilities:						
Derivative financial instruments	12	1,810	1,389	155	-	-
Borrowings	22	32,910	21,649	17,000	39,388	-
Employee entitlements	23	831	915	831	823	915
Provisions	24	1,981	927	1,782	575	884
Deferred tax liability	9	5,320	6,804	-	-	-
Total non-current liabilities		42,852	31,684	19,768	40,786	1,799
Total liabilities		92,405	72,037	38,082	53,818	16,946
Net assets		1,319,939	1,266,424	1,264,157	1,239,174	1,214,757
Equity:						
Accumulated funds	25	574,357	565,972	547,188	582,510	542,918
Other reserves	25	745,582	700,453	716,969	656,664	671,840
Total equity	25	1,319,939	1,266,425	1,264,157	1,239,174	1,214,758

The notes on pages 102 to 144 form part of these financial statements.

STATEMENT OF CASHFLOWS

Statement of Cash Flows for the year ended 30 June 2011

	note:	Group		Council		
		Actual 2010-11 \$000's	Actual 2009-10 \$000's	Actual 2010-11 \$000's	Budget 2010-11 \$000's	Actual 2009-10 \$000's
Cash flows from operating activities:						
Receipts from rates revenue		49,434	47,139	49,800	48,862	47,497
Receipts from other revenue		54,400	54,767	34,261	34,478	36,877
Goods and services tax (net)		(529)	739	(529)	-	739
Interest received		1,362	1,306	1,243	-	1,281
Payments to suppliers and employees		(73,900)	(72,042)	(64,514)	(56,994)	(59,028)
Interest paid		(3,179)	(2,499)	(443)	(2,539)	(176)
Income tax paid		(55)	(1,242)	-	-	-
Net cash flow from operating activities	26	27,533	28,168	19,818	23,807	27,190
Cash flows from investing activities:						
Receipts from sale of property, plant and equipment		26	6,029	22	7,259	6,004
Receipts from sale of investments		1,581	1,766	1,580	999	1,765
Dividends received		-	6	953	604	10,751
Acquisition of investments		497	2,238	-	-	-
Purchase of forestry assets		(327)	(387)	(327)	-	(387)
Purchase of intangible assets		(255)	(201)	(223)	-	(198)
Purchase of investment property		-	(27)	-	-	(27)
Purchase of property, plant and equipment		(39,004)	(51,827)	(33,545)	(38,790)	(47,539)
Receipts from sale of non-current property held for sale		403	-	403	-	-
Net cash flow from investing activities		(37,079)	(42,403)	(31,137)	(29,928)	(29,631)
Cash flows from financing activities:						
Proceeds from borrowings		18,000	10,500	17,000	6,239	-
Repayment of borrowings		(1,955)	(2,202)	(555)	-	(2,202)
Net cash flow from financing activities		16,045	8,298	16,445	6,239	(2,202)
Net increase / (decrease)		6,499	(5,937)	5,126	118	(4,643)
Cash, cash equivalents and bank overdrafts:						
At the beginning of the year		1,632	7,569	589	5,843	5,232
At the end of the year	10	8,131	1,632	5,715	5,961	589

The notes on pages 102 to 144 form part of these financial statements.

Notes to the Financial Statements

1. Statement of Accounting Policies for the year ended 30 June 2011

1.1 Reporting entity

Marlborough District Council is a unitary authority located in New Zealand that is governed by the Local Government Act 2002.

The Marlborough District Council Group (MDC) consists of:

The ultimate parent, Marlborough District Council (Council).

- Council's 88.5% share of the joint committee Marlborough Regional Forestry (MRF) which is accounted for in these financial statements as an activity of Council.
- Council's wholly owned subsidiary MDC Holdings Limited (MDCH).
 - The wholly owned subsidiaries of MDCH: Port Marlborough NZ Limited (PMNZ) and Marlborough Airport Limited.
 - The wholly owned subsidiaries of PMNZ: PMNZ Marina Holdings Limited: Marlborough Sounds Maritime Pilots Limited and Waikawa Marina Trustee Limited.
- Marlborough Housing for the Elderly Trust.

The primary objective of MDC is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, Council has designated itself and the group as public benefit entities (PBE) for the purposes of New Zealand equivalents to Internal Financial Reporting Standards (NZIFRS).

These financial statements of MDC are for the year ended 30 June 2011. The results for Marlborough Housing for the Elderly Trust which are consolidated into these accounts are for the year ended 31 March 2011.

The financial statements were authorised for issue by Council on 27 October 2011.

1.2 Basis of Preparation

(i) Statement of Compliance

The financial statements of MDC have been prepared in accordance with the requirements of the Local Government Act 2002 which includes the requirement to comply with New Zealand generally accepted accounting practice. They comply with NZIFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

(ii) Measurement Base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain assets.

(iii) Functional and Presentational Currency

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

(iv) Changes in Accounting Policies

There have been no changes in accounting policies during the financial year.

(v) Early Adopted Amendment to Standards

The amendment to NZ IAS 12 Income taxes was early adopted in the current year and has resulted in a change in the measurement of deferred tax on buildings classified as Investment Property.

The application of this amendment has resulted in a reduction of the deferred tax liability and tax expense of \$1.726m in the prior year comparative in subsidiary Port Marlborough New Zealand Limited.

There have been a number of other standards, interpretations and amendments adopted. These have not led to any changes in the Company's accounting policies with measurement or recognition impact on the periods presented in these financial statements.

(vi) **Critical Accounting Estimates and Assumptions and Critical Judgments in Applying Accounting Policies**

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provisions

Note 24 (page 131) discloses an analysis of the exposure of:

- Council in relation to the estimates and uncertainties surrounding the landfill aftercare provision.
- Marlborough Airport Limited with regard to timing and costs of resealing the runway.
- Weathertightness claims.

Infrastructural assets

There are a number of assumptions and estimates used when performing DRC valuations over infrastructural assets. These include:

The physical deterioration and condition of the assets, for example Council could be carrying an asset at an amount that does not reflect its physical condition. This is particularly so for those assets, which are not visible for example stormwater, wastewater and water supply pipes that are underground. The risk is minimised by Council performing a number of physical inspections and condition modelling assessments of assets.

Estimating any obsolescence or profit capacity of the asset

Estimates are made when determining the remaining useful life over which the assets will be depreciated. These estimates can be impacted on by local conditions, for example, weather patterns, and traffic growth. If useful lives do not reflect the consumption of the benefits of the asset, then Council could be under or over estimating the annual depreciation charge recognised as an expense in the statement of service performance. To minimise this risk Council has determined the infrastructural asset useful lives with reference to NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration, and condition modelling are also carried out regularly as part of Councils' asset management planning activities, which gives Council further assurance over its useful life estimates.

Investment Property

There are a number of assumptions and estimates used in determining the fair value of investment property. These principally relate to future rental income and expenses.

Experienced independent valuers perform the investment property revaluations.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period to which the estimate is revised if the revision effects only that period or the period of the revision and future periods if the revision effects both current and future periods.

Deferred Tax

The estimated deferred tax liability is calculated using the revalued amounts for property, plant and equipment and the fair values for investment property, plus the employee entitlement provisions for subsidiary companies.

Employee Entitlement Provisions

These provisions are based on estimates on the length of time existing employees will continue to serve and future increases in remuneration.

Contingent Liabilities

Contingent liabilities are liabilities that may or may not occur as they are dependent on another uncertain event. Judgement is exercised in determining whether the uncertain event is probable, possible or remote.

(vii) **Standards, amendments and Interpretations issued that are not yet effective and have not been early adopted**

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted and which are relevant to the Council and group are:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZIAS 39. The new standard is required to be adopted for the year ended 30 June 2014. Marlborough District Council has not yet assessed the effect of the new standard and expects it will not be early adopted.
- NZ IFRS 7 Financial Instruments: Disclosures. The amendments to NZIFRS 7 mean the following information will no longer be disclosed:
 - The carrying amount of financial assets that would otherwise be passed due or impaired whose terms have been renegotiated: and
 - The maximum exposure to credit risk by class of financial instrument if the maximum credit risk exposure is best represented by their carrying amount in the Statement of Financial Position.
- FRS 44 New Zealand additional disclosures and amendments to NZIFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – these were issued in May 2011 with the purpose of harmonising Australia and New Zealand's Accounting Standards with source IFRS and to eliminate many of the differences between the Accounting Standards in each jurisdiction. The amendments must first be adopted for the year ended 30 June 2012. Council has not yet assessed the effects of FRS 44 and the Harmonisation Amendments.
- NZ IAS 24 Related Party Disclosures (Revised 2009) replaces NZ IAS 24 Related Party Disclosures (Issued 2004). The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The new standard is required to be adopted for the year ended 30 June 2012. Marlborough District Council has not yet assessed the effects of the new standard and expects to adopt it for the year ended 30 June 2012.

1.3 Significant Accounting Policies

(i) **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of Council and enterprises controlled by Council (its subsidiaries) compiled to 30 June each year. Control is achieved where Council has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to surplus or deficit in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The consolidated financial statements are prepared adding together like items on a line by line basis. All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

(ii) **Investments in subsidiaries**

Investments in subsidiaries are recorded in the parent entity's financial statements at cost less any subsequent accumulated impairment losses.

(iii) **Interests in Joint Committees**

There is a contractual arrangement whereby Council and Kaikoura District Council (KDC) undertake an activity that is subject to joint control.

The Council's share of jointly controlled assets and any liabilities incurred jointly with KDC are recognised in the Council's financial statements on a proportionate basis and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of Council's share of the output of jointly controlled assets, and its share of the joint committee expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Council and their amount can be measured reliably.

Where Council transacts with the joint committee, unrealised profits and losses are eliminated to the extent of Council's share in the joint venture, except to the extent that unrealised losses provide evidence of impairment of the asset.

(iv) **Revenue**

Rates are set annually by a resolution of Council and relate to a financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Revenue is measured at the fair value of consideration received or receivable.

Rates Revenue

Rates revenue is recognised by Council as being income on the due date of each instalment. Water Billing is recognised on an accrual basis.

Government Grants

NZTA roading subsidies (received in respect of maintaining the roading infrastructure) and other government grants/subsidies are recognised as revenue upon entitlement ie; when conditions pertaining to eligible expenditure have been fulfilled. This revenue is reflected in the financial statements as subsidy income. Other Government assistance received includes contributions towards the upkeep of Returned Servicemen Association cemetery plots, community housing, community safety and environmental control.

Provision of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at reporting date.

Vested Assets

Assets vested in Council, with or without conditions, are recognised as revenue when control over the assets is obtained.

Sales of Goods

Sales of goods are recognised when goods are delivered and title has passed.

Interest and Dividends

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Financial/Development Contributions

Financial/Development contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise Financial/Development contributions received are recognised as liabilities until such time the Council provides, or is able to provide, the service. Development contributions are classified as part of "Other revenue".

(v) **Borrowing Costs**

MDC has elected to defer the adoption of NZ IAS 23 Borrowing Cost (revised 2007) in accordance with its transitional provisions that are applicable to Public Benefit Entities. All borrowing costs are recognised as an expense in the period in which they are incurred and are calculated using effective interest method.

(vi) **Grant Expenditure**

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where the Council has no obligation to

award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

(vii) Income Tax

Income tax expense comprises both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit of the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted as at balance date.

Taxable profit differs from net profit as reported in the Income Statement because it excludes items that are never taxable or deductible and it further excludes items of income or expense that are taxable or deductible in other years.

Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset when MDC has a legal enforceable right to set off the recognised amounts and intends to settle on a net basis.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or discount on acquisition) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where MDC is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised.

Deferred tax is charged or credited in the Income Statement, except when it relates to transactions recognised in other comprehensive income or items charged or credited directly to equity, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Marlborough District Council intends to settle its current tax assets and liabilities on a net basis.

(viii) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating Leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. All operating lease contracts contain review clauses in the event that MDC exercises its option to renew. The lessee does not have an option to purchase the property at expiry of the lease period.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

(ix) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(x) **Trade and other Receivables**

Trade receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Income Statement where there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(xi) **Derivative Financial Instruments and Hedge Accounting**

MDC enters into interest rate swaps to manage interest rate risk and, from time to time, foreign currency forward contracts to manage foreign currency rate fluctuation risk. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments fall into the "fair value through surplus or deficit" category.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. Derivative instruments entered into by MDC do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the surplus or deficit.

(xii) **Other Financial Assets**

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit. Purchases and sales of financial assets are recognised on trade-date, the date on which MDC commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and MDC has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit;
- loans and receivables;
- held-to-maturity investments; and
- fair value through other comprehensive income.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and those designated at fair value through surplus or deficit at initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective

interest method. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities where there is a positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the share investment within 12 months of balance date or if the debt instrument is not expected to be realised within 12 months of balance date. The Council and group includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive income, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

(xiii) Impairment of Financial Assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and other receivables, and held-to-maturity investments

Impairment is established when there is objective evidence that MDC will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government stock, and community loans, are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive income

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

(xiv) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provision has been made for obsolescence for inventories held for maintenance purposes, where applicable.

(xv) Non-current Assets Held for Sale

Non-current assets (or disposal groups) classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The valuation of net realisable value was carried out by Alexander Hayward Limited and Abel Properties Limited.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

(xvi) Property, Plant and Equipment

MDC has the following classes of property, plant and equipment:

- Land and buildings.
- Improvements on land.
- Library books and parking meters.
- Infrastructural assets.
- Other.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and any impairment losses.

Revaluation

Land and buildings and infrastructural assets are revalued with sufficient regularity that the carrying amount does not differ materially from that which would be determined using fair values at balance date, generally every year.

Revaluation increments and decrements are credited or debited to the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve this balance is expensed in the Income Statement. Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the Income Statement will be recognised first in the Income Statement up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Additions

Additions between valuations are recorded at cost, except for vested assets. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended use. Certain infrastructural assets and land have been vested in the Council as part of the subdivisional consent process. The vested reserve land has been initially recognised at the most recent appropriately certified government valuation which is their deemed cost. Vested infrastructural assets are initially valued based

on the actual quantities of infrastructural components vested and the current “in the ground” cost of providing identical services and this is their deemed cost.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment other than land, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation on revalued assets is charged to the Income Statement.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Asset	Life	Rate
Roads, Streets and Bridges		
- Land under roads and pavement formation	Not depreciated	
- Pavement layers	80 - 100 years	1 - 1.25%
- Pavement surface	13 years	7.692%
- Unsealed roads	10 years	10%
- Culverts	20 - 50 years	2 - 5%
- Kerb and channel	80 years	1.25%
- Concrete stormwater channels	80 years	1.25%
- Earth water channels	Not depreciated	
- Footpaths	30 - 80 years	1.25- 3.33%
- Bridges	40 - 100 years	1- 2.5%
- Footbridges	50 - 100 years	1 - 2%
- Retaining walls	30 years	3.33%
- Street berms	Not depreciated	
- Traffic signs	20 years	5%
- Street lighting	20 years	5%
- Traffic islands	50 years	2%
- Street trees	40 years	2.5%
- Street furniture	25 years	4%
- Paved and cobbled areas	30 years	3.33%
- Council wharves	40 years	2.5%
- Port Marlborough wharves and marinas	10 - 50 years	2 - 10%
Carparks		
- Parking meters	10 years	10%
- Land and formation	Not depreciated	
- Basecourse	80 years	1.25%
- Surfacing	20 years	5%
- Markings	3 years	33.33%
Buildings (excluding properties intended for sale)	100 years	1%
Council Computers	4 - 5 years	20 - 25%
Plant, equipment (excluding Council infrastructural assets)	5 - 13.33 years	7.69 - 20%
Mowers/chainsaws	1 - 2 years	50 - 100%
Sewerage		
- Pipes	80 - 100 years	1 - 1.25%
- Pump stations	20 - 100 years	1 - 5%
- Oxidation ponds:		
- Liner	Not depreciated	
- Waveband	75 years	1.33%
- Treatment plant	20 - 100 years	1 - 5%
Stormwater		
- Pipes	80 - 100 years	1 - 1.25%
- Pump stations	20 - 100 years	1 - 5%
Water		
- Pipes	50 - 100 years	1 - 1.67%
- Reservoirs	80 years	1.25%
- Surface connections	100 years	1%
- Pumps	10 years	10%
- Pump stations	20 - 60 years	1.67 - 5%
- Treatment plant	20 - 100 years	1 - 5%
- Dams	150 years	.667%
Rivers and Drainage		
- Pump stations	35 - 100 years	1 - 2.86%
- Stopbanks/earthworks	Not depreciated	
- Rock and gabion protection	Not depreciated	
- Trees and tree retards	Not depreciated	

- Culverts and gates	Not depreciated	
- Channels	Not depreciated	
- Dam	100 years	1%
Library books	13.33 years	7.69%

Disposals

On the subsequent sale or retirement of a revalued asset, the attributable revaluation profit remaining, net of any related deferred taxes, in the revaluation reserve is transferred directly to accumulated funds.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

(xvii) Intangible Assets - Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by MDC are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overhead costs.

The computer software has a finite life of four to five years. Amortisation is included in the Income Statement.

(xviii) Impairment of Property, Plant and Equipment and Intangible Assets

At each balance sheet date MDC reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists and for indefinite life intangibles, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset MDC estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of market value less costs to sell and value in use.

For assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

For non-revalued assets impairment losses are recognised as an expense immediately.

For revalued assets, other than investment property, the impairment loss is treated as a revaluation decrease to the extent it reverses previous accumulated revaluation increments for that asset class.

Where an impairment loss subsequently reverses the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that any impairment loss had been previously charged to equity.

(xix) Forestry Assets

Forestry assets are owned and managed by Marlborough Regional Forestry. They are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the Income Statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

The fair value of all trees is based on estate based Net Present Value (NPV) method, using the present value of future cash flows discounted at a pre-tax market determined rate.

Marlborough District Council own and manage some trees for soil conservation purposes. These are revalued as per Council's policy on property, plant and equipment.

(xx) Investment Property

The classification of property is a matter of professional judgement that requires analysis of the substance of the circumstances surrounding its occupation. The decision as to whether a property or part of a property is classified as 'Investment Property' is based on the criteria in NZ IAS 40, Investment Property and recognising the following:

Properties leased to third parties under operating leases will generally be classified as 'Investment Property' unless:

- The occupants provide services that are integral to the operation of the owner's business and/or these services could not be provided efficiently and effectively by the lessee in another location.
- The owner of the property is a public benefit entity, and the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.
- The property is being held for future delivery of services.
- If the lessor uses services of the owner and those services are integral to the reasons for their occupancy of the property.

Investment property is measured initially at its cost, including transaction costs. Investment property is then restated to fair value at balance date, based on an independent valuation.

Gains or losses arising from changes in the fair value of investment property are included in the surplus or deficit for the period in which they arise.

(xxi) Trade and Other Payables

Trade payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

(xxii) Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, these loans and borrowings are subsequently measured at amortised cost using the effective interest rate method which allocates the cost through the expected life of the loan or borrowing. Amortised cost is calculated taking into account any issue costs, and any discount or premium on drawdown.

Bank loans are classified as current liabilities (either advances or current portion of term debt) unless MDC has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(xxiii) Employee Entitlements

Provision is made in respect of the MDC's liability for retiring gratuity allowances, annual and long service leave, and sick leave.

The retiring gratuity liability and long service leave liability are assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value using an interpolated 10 year government bond rate.

Liabilities for accumulating short-term compensated absences (eg; annual and sick leave) are measured as the additional amount of unused entitlement accumulated at the balance sheet date. Sick leave, annual leave, vested long service leave and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

(xxiv) Superannuation Schemes

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

The Council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit plan accounting, as it is not possible to determine from the terms of the scheme the extent to which the scheme's surplus or deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme. Further information on this scheme is disclosed in note 28.

(xxv) Provisions

Provisions are recognised when MDC has a present obligation as a result of a past event, a reliable estimate can be made for the amount of the obligation and it is probable that MDC will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at balance date and are discounted to present value where the effect is material.

Council has a legal obligation to provide ongoing maintenance and monitoring services at the Blenheim landfill site after closure. To provide for these estimated costs of aftercare, a charge is made each year based on the net present value of the after care cost which it is estimated will be incurred following the closure of the landfill.

A financial guarantee contract is a contract that requires MDC to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts

Financial guarantee contracts are initially recognised at fair value, even if a payment under the guarantee is not considered probable. If a financial guarantee contract was issued in a stand-alone arms length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, a liability is recognised based on the probability that the Council or group will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation.

However, if it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

(xxvi) Equity

Equity is the community's interest in MDC and is measured as the difference between total assets and total liabilities. Public equity is disaggregated and classified into a number of reserves to enable clearer identification of the special uses that MDC intends to make of its accumulated profits. These components of equity are:

- Accumulated Funds.
- Ordinary revenues.
- Property Revaluation reserves.
- Restricted Reserves.

Special reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by Council without reference to the Courts or a third party. Transfer from these reserves can be made by certain specified purposes or when certain specified conditions are met.

Council created reserves are reserves established by Council decision. The Council may alter the purpose of the reserve without reference to any third party or the Courts. Transfer to and from these reserves is at the discretion of Council.

Property revaluation reserves relate to the revaluation of property, plant and equipment to fair value.

(xxvii) Goods and Services Tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for debtors and other receivables and creditors and other payables, which are presented on a GST-inclusive basis. GST not recoverable as input tax is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

(xxviii) Cost Allocation

The cost of providing support services for the Council are accumulated and are allocated to each activity using appropriate allocation bases which reflect the usage and /or capacity for each significant activity.

(xxix) Foreign Currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions or rates that approximate those rates. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the surplus or deficit for the period.

In order to hedge its exposure to certain foreign exchange risks, MDC enters into forward contracts in accordance with the Council treasury policies (see above for details of MDC's accounting policies in respect of such derivative financial instruments).

(xxx) Budget Figures

The budget figures are those approved by the Council in its 2010-2011 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

(xxxi) Emissions Trading Scheme (ETS)

Marlborough Regional Forestry (MRF) is a participant in the ETS with regard to both its significant holdings of "pre 1990" forests and currently minor holding of "post 1989" forests.

Pre 1990 emission units (NZU's) received are recognised at cost (\$nil) and subsequently measured at cost subject to impairment. It is not anticipated that MRF will have any future liabilities or obligations with regard to its pre 1990 forests.

Post 1989 NZU's received are recognised at cost (\$nil) and subsequently measured at cost subject to impairment. Where there is an obligation to return units the expense and liability are recognised and are measured at the carrying value of units on hand plus the fair value of any additional units required. If operations proceed as planned there will always be post 1989 units on hand equal to any liability.

Any future cash flows associated with units receivable/payable will be taken into consideration in determining the valuation of the forest estate.

Council's regional landfill will enter the ETS from 1 January 2012. If these obligations are met from forestry NZU's these will be "sold" internally at fair value with the transaction eliminated in Council accounts.

2. Summary Cost of Services

	2010-11 Actual \$000's	2010-11 Budget \$000's	2009-10 Actual \$000's
Income:			
Democratic Process	2,437	2,423	2,606
Culture and Heritage	724	716	574
Community Housing	1,032	1,035	1,191
Community Safety	430	276	950
Community Support	550	542	583
Library Services	1,427	1,388	1,447
Emergency Management	731	679	731
Community Facilities	5,478	5,359	5,221
Land Transport	21,521	18,868	19,267
Rivers and Land Drainage	7,203	7,193	7,174
Wastewater (Sewerage)	8,066	8,422	8,837
Stormwater	1,683	1,908	1,953
Water Supply	9,095	9,410	8,941
Solid Waste Management	5,680	5,843	5,178
Environmental Policy and Information	5,574	5,113	5,178
Resource Consents	2,628	3,197	2,845
Building Control	1,893	2,520	1,960
Compliance	1,270	1,204	1,577
Animal Control	617	624	592
Harbour Control	869	853	562
Regional Development	1,198	1,140	892
Total activity income	80,106	78,713	78,259
Plus other income (including forestry)	13,712	15,159	24,370
Less internal income	(5,108)	(6,243)	(4,212)
Total income	88,710	87,629	98,417
Expenditure:			
Democratic Process	2,483	2,423	2,513
Culture and Heritage	589	716	639
Community Housing	1,032	1,071	961
Community Safety	412	276	939
Community Support	633	572	521
Library Services	1,449	1,388	1,357
Emergency Management	671	639	791
Community Facilities	7,581	5,651	7,607
Land Transport	22,940	17,874	17,473
Rivers and Land Drainage	4,142	4,179	4,047
Wastewater (Sewerage)	7,590	7,766	6,643
Stormwater	1,490	1,565	1,485
Water Supply	8,281	8,663	7,289
Solid Waste Management	6,972	5,573	5,443
Environmental Policy and Information	5,435	5,213	5,823
Resource Consents	3,085	3,197	3,365
Building Control	2,380	2,520	2,590
Compliance	1,333	1,204	1,716
Animal Control	617	647	626
Harbour Control	877	853	911
Regional Development	1,275	1,217	915
Total activity expenditure	81,267	73,207	73,652
Plus other expenditure (including forestry)	9,453	9,564	8,349
Less internal expenditure	(5,108)	(6,243)	(4,214)
Total operating expenditure	85,612	76,528	77,788

3. Rates Activity

Rates revenue:	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Democratic Process	2,193	2,336	2,193	2,336
Culture and Heritage	647	511	647	511
Community Housing	-	-	-	-
Community Safety	82	78	82	78
Community Support	492	521	492	521
Library Services	1,138	1,126	1,138	1,126
Emergency Management	568	596	568	596
Community Facilities	4,708	4,466	4,708	4,466
Land Transport	9,027	8,770	9,027	8,770
Rivers and Land Drainage	3,532	3,331	3,532	3,331
Wastewater (Sewerage)	6,616	6,288	6,616	6,288
Stormwater	1,401	1,291	1,401	1,291
Water Supply	8,694	8,394	8,694	8,394
Solid Waste Management	2,500	1,994	2,500	1,994
Environmental Policy and Information	4,548	4,305	4,548	4,305
Resource Consents	1,093	1,173	1,093	1,173
Building Control	354	406	354	406
Compliance	770	879	770	879
Animal Control	42	49	42	49
Harbour Control	598	314	598	314
Regional Development	1,047	807	1,047	807
Total activity rates	50,050	47,635	50,050	47,635
Plus non-activity rates	12	10	12	10
Less related party rates eliminated	(366)	(366)	-	(8)
Total gross rates revenue	49,696	47,279	50,062	47,637
Rates remissions (as below)	499	436	499	436
Rates revenue net of remissions	49,197	46,843	49,563	47,201

Council has a number of rate remission policies which enable ratepayers to qualify for various remission amounts providing certain conditions and criteria are met.

Rates remissions:	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Community sporting & other organisations	28	27	28	27
Protected land	3	2	3	2
Residential land in commercial/industrial areas	29	36	29	36
Single entity non-contiguous pastoral units & separate ownership contiguous units	21	14	21	14
Separately used/inhabited parts of rating unit	50	49	50	49
Subdivisions creating four or more units	70	81	70	81
Subdivisions creating 10 or more units	25	-	25	-
Rate penalties	50	37	50	37
Statute barred	7	-	7	-
Water remission	39	17	39	17
Multi-ownership Maori land	177	173	177	173
Total remissions	499	436	499	436

4. Finance Income and Finance Costs

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Finance income:				
Interest income:				
Term deposits	1,295	1,350	1,234	1,269
Related party loans	9	12	9	12
Total finance income	1,304	1,362	1,243	1,281
Finance costs:				
Interest expense:				
Interest on bank borrowings	3,404	2,651	443	176
Interest other	(169)	(176)	-	-
Interest derivatives (presented net):				
Held for trading interest rate swaps	155	-	155	-
Ineffectiveness on cash flow hedges	220	(269)	-	-
Total finance costs	3,610	2,206	598	176
Net finance income / (costs)	(2,306)	(844)	645	1,105

5. Other Revenue

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
User charges	9,496	9,803	9,588	9,978
Regulatory revenue	3,691	4,073	4,028	4,258
Lump sum contributions	122	137	122	137
Land subdivision revenues	497	1,594	497	1,594
Development impact levies	644	836	644	836
Infringements and fines	536	629	536	629
Petrol tax	386	393	386	393
Rendering of services	13,768	11,707	-	-
Vested assets	316	1,648	316	1,648
Dividend income related party	-	-	953	10,745
Dividend income other	-	6	-	6
Rental income from investment properties	7,253	7,177	151	148
Marlborough Regional Forestry Revenue	7,447	7,445	7,447	7,445
NZTA roading subsidy	8,812	5,602	8,812	5,602
Other income	3,477	4,978	3,715	5,152
Total other revenue	56,445	56,028	37,195	48,571

6. Gains

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Non-financial instruments:				
Property, plant and equipment gains on disposal	1	587	1	587
Non-current assets held for sale gains on disposal	106	-	106	-
Investment property revaluation gain (note 19)	256	-	27	-
Other	61	66	-	-
Total non-financial instrument gains	424	653	134	587
Financial instruments:				
Gains on fair value of investments	76	341	76	341
Total financial instruments gains	76	341	76	341
Total gains	500	994	210	928

7. Personnel Costs

	Group		Council	
	2010-11	2009-10	2010-11	2009-10
	\$000's	\$000's	\$000's	\$000's
Salaries and wages	20,319	19,573	15,976	15,440
Defined contribution plan employer contributions	755	739	579	575
Increase in employee entitlements	172	47	172	47
Total personnel costs	21,246	20,359	16,727	16,062

8. Other Expenses

	Group		Council	
	2010-11	2009-10	2010-11	2009-10
	\$000's	\$000's	\$000's	\$000's
Fees to principal auditor:				
audit fees for financial statement audit	104	101	104	101
audit fees for LTCCP	10	6	10	6
Audit fees for financial statement audit - Deloitte	74	83	-	-
Donations	139	42	-	-
Grants	1,876	4,230	1,888	4,236
Insurance premiums	1,071	1,364	1,071	1,364
Impairment adjustment of receivables (note 11)	37	11	7	12
Impairment adjustment of non-current assets held for sale	-	927	-	928
Councillors remuneration	549	610	549	610
Directors fees	207	205	235	-
Property plant and equipment loss on disposal	1,853	221	1,853	216
Direct operating expenses of investment properties	2,609	2,265	10	-
Investment property revaluation loss (note 19)	-	10,086	-	14
Payments under operating leases	336	362	334	340
Forestry asset revaluation loss (note 18)	(179)	(598)	(179)	(598)
Other operating expenses	50,048	42,952	47,171	39,547
Total other expenses	58,734	62,867	53,053	46,776
Amortisation and depreciation:				
Depreciation expense (note 16)	17,020	16,764	15,075	14,648
Amortisation of intangible asset (note 17)	177	173	159	126
Impairment of non-current assets (note 16)	-	1,296	-	-
Total amortisation and depreciation	17,197	18,233	15,234	14,774

Amortisation expense is included in the line item 'depreciation, amortisation and impairment' in the income statement.

The significant increase in other operating expenses compared to 2009-10 (and budget) is largely due to roading flood damage repairs (\$5.5 M) and non cash expenditure on both write-off regarding Aquatic Centre (\$1.6 M) and provision regarding closed landfills (\$1.1 M). For further explanation please refer to note 35.

9. Tax

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
9.1 Components of tax expense				
Current tax expense	1,429	99	-	-
Adjustments to current tax in prior years	-	(26)	-	-
Deferred tax expense	(1,484)	3,254	-	-
Tax expense	(55)	3,327	-	-
9.2 Relationship between tax expense and accounting profit				
Surplus/(deficit) before tax	7,158	1,998	3,098	20,629
Tax at 30%	2,147	599	929	6,189
Plus / (less) tax effect of:				
Non-deductible expenditure	200	2,944	-	-
Non-taxable income	(647)	(2,967)	(929)	(6,189)
Deferred tax on building depreciation removal	(8)	2,817	-	-
Deferred tax on change in tax rate	(1,747)	(40)	-	-
Prior year adjustment	-	(26)	-	-
Tax expense	(55)	3,327	-	-

Within the group tax losses to carry forward are \$976,886 (2010: \$882,365).

The tax rate used in the above reconciliation is the corporate tax rate of 30% (2010: 30%) payable by New Zealand corporate entities on taxable profits under New Zealand law.

As a result of the Government of New Zealand's Taxation (Budget Measures) Act 2010 the corporate tax rate will change from 30% to 28% effective from the 2011-2012 income year, the deferred taxation account was measured and recorded in the current year to account for estimated reversals of temporary differences accordingly. The Government also announced that the ability to claim depreciation on buildings would cease at the end of the 2011 tax year.

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
9.3 Income tax recognised in comprehensive income				
Deferred tax on property revaluations	-	(105)	-	-
9.4 Current tax assets / (liabilities)				
Tax (payable) / receivable	(132)	1,239	-	-

9.5 Deferred tax assets / (liabilities)	Property, plant & equipment	Investment property	Financial Instruments	Provisions	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
Group					
Balance at 1 July 2009	(4,016)	(1,159)	569	951	(3,655)
Charged to surplus or deficit	(840)	(1,488)	(113)	(813)	(3,254)
Charged to other comprehensive income	105	-	-	-	105
Balance at 30 June 2010	(4,751)	(2,647)	456	138	(6,804)
Charged to surplus or deficit	127	1,230	61	66	1,484
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2011	(4,624)	(1,417)	517	204	(5,320)

10. Cash and Cash Equivalents

	Group		Council	
	2010-11	2009-10	2010-11	2009-10
	\$000's	\$000's	\$000's	\$000's
Cash at bank and on hand	8,527	3,547	6,111	2,504
Total cash and cash equivalents	8,527	3,547	6,111	2,504

Cash, cash equivalents and bank overdrafts include the following for the purpose of the Statement of Cashflows:

Cash at bank and on hand	8,527	3,547	6,111	2,504
Bank overdrafts (note 22)	(396)	(1,915)	(396)	(1,915)
Total as per statement of cashflows	8,131	1,632	5,715	589

The carrying amount of the short term deposits approximates their fair value.

The total value of cash and cash equivalents that can only be used for a specified purpose is nil.

11. Debtors and Other Receivables

11.1 Debtors and other receivables	Group		Council	
	2010-11	2009-10	2010-11	2009-10
	\$000's	\$000's	\$000's	\$000's
Rates receivables	1,075	813	1,075	813
Other receivables				
Related party receivables	-	-	132	85
Goods and services tax (net)	670	700	914	385
Prepayments	572	147	572	147
Other	7,690	6,371	5,882	4,759
Gross debtors and other receivables	10,007	8,031	8,575	6,189
Less provision for impairment	(105)	(68)	(41)	(34)
Total debtors and other receivables	9,902	7,963	8,534	6,155

The values of debtors and other receivables approximate fair value.

With the exception of the roading subsidy there is no concentration of credit risk with respect to receivables as the group has a large number of customers (refer to note 33.3, page 138).

Council has provided a sum of \$41,000 (2010 \$34,000) for the impairment of Trade Debtors. The provision has been based on an analysis of previous year's losses and a review of specific debtors.

\$281,659 (2010: \$607,949) of financial assets would have been past due or impaired but terms have been renegotiated.

The Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then the Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit. Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material.

The ageing profile of receivables at year end is detailed below:

11.2 Ageing profile of receivables	2010-11			2009-10		
	Impairment		Net	Impairment		Net
	Gross			Gross		
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Group						
Not past due	7,419	-	7,419	5,481	-	5,481
Past due 1-60 days	1,155	-	1,155	1,364	-	1,364
Past due 61-120 days	1,311	64	1,247	1,097	33	1,064
Past due >120 days	122	41	81	89	35	54
Total	10,007	105	9,902	8,031	68	7,963
Council						
Not past due	6,297	-	6,297	3,874	-	3,874
Past due 1-60 days	988	-	988	1,230	-	1,230
Past due 61-120 days	1,168	-	1,168	996	-	996
Past due >120 days	122	41	81	89	34	55
Total	8,575	41	8,534	6,189	34	6,155

Analysis of impaired debtors and movements in the provision for impairment of receivables:

11.3 Impairment information	Group		Council	
	2010-11	2009-10	2010-11	2009-10
	\$000's	\$000's	\$000's	\$000's
Individual impairment	105	68	41	34
Collective impairment	-	-	-	-
Total provision for impairment	105	68	41	34
Past due 1-60 days	-	-	-	-
Past due 61-120 days	64	33	-	-
Past due >120 days	41	35	41	34
Total individual impairment	105	68	41	34
At 1 July	68	57	34	22
Additional provisions made during the year	105	68	41	34
Provisions reversed during the year	(68)	(57)	(34)	(22)
Receivables written-off during the period	-	-	-	-
At 30 June	105	68	41	34

MDC holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

12. Derivative Financial Instruments

	Group		Council	
	2010-11	2009-10	2010-11	2009-10
	\$000's	\$000's	\$000's	\$000's
Current asset portion:				
Interest rate swaps - cash flow hedges	-	-	-	-
Non-current asset portion:				
Interest rate swaps - cash flow hedges	-	-	-	-
Total derivative financial instrument assets	-	-	-	-
Current liability portion:				
Interest rate swaps - cash flow hedges	195	239	-	-
Non-current liability portion:				
Interest rate swaps - cash flow hedges	1,810	1,389	155	-
Total derivative financial instrument liabilities	2,005	1,628	155	-

Fair Value

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

Interest Rate Swaps

The notional principal amounts of the outstanding interest rate swap contracts for the Council were \$14 M (2010: nil) and for the group were \$75.060 M (2010: \$51.610 M). At 30 June 2011 the fixed interest rates of cash flow hedge interest rate swaps varied from 4.54% to 6.34%.

13. Other Financial Assets

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Current portion:				
Term deposits and bonds with maturities of 4-12 months	3,296	756	3,296	756
Community loans	35	25	35	25
Loan to joint venture MRF	57	59	57	59
Total current portion	3,388	840	3,388	840
Non-current portion:				
Term deposits and bonds with maturities 12 months plus	9,800	13,780	9,800	13,780
Community loans	32	52	32	52
Loan to joint venture MRF	53	105	53	105
Unlisted shares in subsidiaries	-	-	6,000	6,000
Shares: NZ Local Govt. Insurance Corp	74	74	74	74
Shares other	1	1	1	1
Total non-current portion	9,960	14,012	15,960	20,012
Total other financial assets	13,348	14,852	19,348	20,852

The carrying value of term deposits, bonds, community loans and the loan to MRF approximate their fair value.

14. Inventories

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Held for distribution inventory:				
Goods held for maintenance	267	311	3	4
Commercial inventory:				
Quarry rock and gravel	307	258	307	258
Total inventory	574	569	310	262

15. Non-current Assets Held for Sale

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Non-current assets held for sale are:				
Buildings	1,509	1,586	1,509	1,586
Land	130	2,400	130	2,400
Total non-current assets held for sale	1,639	3,986	1,639	3,986

Included in these totals are:

- o Buildings which are part of the Picton waterfront redevelopment.
- o Residential sections subdivided from Council farmland.

Council has approved the sale of these parcels which are being actively marketed and the intention is to sell them within the next 12 months.

The figures in the above table have been derived from either a registered valuation (by Alexander Hayward), a conditional sale and purchase agreement or from the selling price of adjacent lots.

Parcels included in 2009-10 but not 2010-11 are:

- o Land in Wynen Street which was to be commercially developed but which is now being adapted by Council for use as a carpark and has been transferred to property, plant and equipment.
- o A property in the Awatere which sold during the year.
- o Two of four of the residential sections which sold during the year.

16. Property, Plant and Equipment

2009-10 GROUP	COST/VALN \$000's	ACCUM DEPN \$000's	CARRYING AMOUNT 1/07/2009 \$000's	WIP & OTHER RECLASSIFICATIONS		CURRENT YEAR		DISPOSALS		CURRENT YEAR		REVALUATION		COST/ REVAL 30/06/2010 \$000's	ACCUM DEPN \$000's	CARRYING AMOUNT 30/06/2010 \$000's
				COST	ACCUM DEPN	ADJUST	IMPRMNT	DEPN	ADJUST	COST	DEPN					
												ADJUST	ADJUST			
16.1 Operational Assets																
Work in Progress	2,488	-	2,488	(828)	-	8,028	-	-	-	-	(2,396)	-	-	7,292	-	7,292
Buildings	72,250	4,396	67,854	162	-	2,910	(2,310)	-	428	2,036	-	(9,063)	(4,967)	63,949	1,891	62,059
Forest Crops	437	-	437	-	-	-	-	-	-	-	-	106	-	543	-	543
Land and improvements	114,665	4,669	109,996	625	-	1,044	(964)	(6)	868	466	-	(7,095)	(4,932)	108,275	1,065	107,125
Landfill	6,189	1,120	5,069	-	-	347	-	-	-	572	-	(745)	-	5,791	1,692	4,099
Library Books	4,241	2,951	1,290	-	-	226	-	-	-	178	-	-	-	4,467	3,129	1,338
Other Structures and Improvements	4,084	295	3,789	-	-	388	(25)	-	-	56	-	-	-	4,447	351	4,096
Office Equip, Furnishings & Fittings	6,587	4,404	2,183	59	-	232	(262)	(260)	-	578	-	-	-	6,616	4,722	1,894
Paintings	52	-	52	-	-	-	-	-	-	-	-	-	-	52	-	52
Parking Meters	649	423	226	-	-	-	-	-	-	27	-	-	-	649	450	199
Plant, Machinery & Equipment	11,269	5,837	5,432	4	-	576	(66)	(42)	-	960	-	(7)	(5)	11,776	6,750	5,025
	222,911	24,094	198,817	22	-	13,751	(3,627)	(308)	1,296	4,873	(2,396)	(16,889)	(9,904)	213,771	20,050	193,722
16.2 Infrastructural Assets																
Work in Progress	8,725	-	8,725	(5,512)	-	3,458	(1,475)	-	-	-	-	-	-	5,196	-	5,196
Bridges	34,453	-	34,453	100	-	643	-	-	-	778	-	398	(778)	35,594	-	35,594
Car parks	14,234	10	14,224	-	-	1,359	(2,216)	(7)	-	112	-	(325)	(104)	13,052	11	13,041
Public Conveniences	2,467	81	2,386	-	-	81	-	-	-	44	-	489	(81)	3,037	44	2,993
Reserves and Parks	44,244	896	43,348	1,538	-	5,142	(30)	-	-	206	-	(567)	(122)	50,327	980	49,347
River Works	128,024	118	127,906	151	-	792	-	-	-	115	-	(653)	-	128,314	233	128,081
Roads and Streets	520,722	-	520,722	(69)	-	6,260	-	-	-	5,755	-	9,038	(5,755)	535,951	-	535,951
Sewerage Schemes	111,718	1,756	109,962	2,123	-	6,372	-	-	-	1,890	-	(2,060)	(3,646)	118,153	-	118,153
Stormwater Drainage Schemes	60,518	877	59,641	-	-	515	-	-	-	891	-	(5,265)	(1,768)	55,768	-	55,768
War Memorials	451	25	426	-	-	7	-	-	-	5	-	(4)	(6)	454	24	430
Water Supply Schemes	91,921	-	91,921	1,647	-	10,442	-	-	-	2,096	-	982	(2,096)	104,992	-	104,992
Wharves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,017,477	3,763	1,013,714	(22)	-	35,071	(3,721)	(7)	-	11,892	-	2,033	(14,356)	1,050,838	1,292	1,049,546
Total Operational and Infrastructural Assets	1,240,388	27,857	1,212,531	-	-	48,822	(7,348)	(315)	1,296	16,765	(2,396)	(14,856)	(24,260)	1,264,609	21,342	1,243,268

2010-11 GROUP	COST/VALN \$000's	ACCUM DEPN \$000's	CARRYING AMOUNT 1/07/2010 \$000's	WIP & OTHER RECLASSIFICATIONS		CURRENT YEAR		DISPOSALS		CURRENT YEAR		REVALUATION		COST/ REVAL 30/06/2011 \$000's	ACCUM DEPN \$000's	CARRYING AMOUNT 30/06/2011 \$000's	
				COST	ACCUM DEPN	ADDITIONS	DISPOSALS	DEPN ADJUST	IMPRMNT	DEPN	TRNSFR ADJUST	COST ADJUST	DEPN ADJUST				
																	\$000's
16.1 Operational Assets																	
Work in Progress	7,292	-	7,292	(6,527)	-	5,693	-	-	-	-	-	(509)	-	-	5,949	-	5,949
Buildings	63,949	1,891	62,058	4,784	-	3,769	(2,055)	(490)	-	1,865	-	(344)	(685)	70,103	2,581	67,522	
Forest Crops	543	-	543	-	-	-	-	-	-	-	-	-	-	543	-	543	
Land and improvements	108,190	1,065	107,125	676	-	2,178	-	-	-	485	(2)	(4,128)	-	106,914	1,550	105,364	
Landfill	5,791	1,692	4,099	-	-	19	(1,107)	(1,120)	-	474	-	(83)	-	4,620	1,046	3,574	
Library Books	4,467	3,129	1,338	-	-	184	(1,984)	(1,983)	-	182	-	-	-	2,667	1,328	1,339	
Other Structures and Improvements	4,447	351	4,096	321	-	1,221	(75)	(9)	-	61	-	-	-	5,914	403	5,511	
Office Equip, Furnishings & Fittings	6,616	4,722	1,894	142	-	481	(1,878)	(1,876)	-	503	(5)	-	-	5,356	3,349	2,007	
Paintings	52	-	52	-	-	-	-	-	-	-	-	-	-	52	-	52	
Parking Meters	649	450	199	-	-	-	-	-	-	27	-	-	-	649	477	172	
Plant, Machinery & Equipment	11,776	6,750	5,026	431	-	4,098	(732)	(586)	-	969	185	-	-	15,758	7,133	8,625	
	213,772	20,050	193,722	(173)	-	17,643	(7,831)	(6,064)	-	4,566	(331)	(4,555)	(685)	218,525	17,867	200,658	
16.2 Infrastructural Assets																	
Work in Progress	5,196	-	5,196	(538)	-	13,620	-	-	-	-	-	-	-	18,278	-	18,278	
Bridges	35,594	-	35,594	81	-	588	-	-	-	803	-	753	(803)	37,016	-	37,016	
Car parks	13,052	11	13,041	-	-	-	-	-	-	113	-	(159)	(112)	12,893	12	12,881	
Public Conveniences	3,037	44	2,993	-	-	222	(10)	-	-	43	-	(93)	(44)	3,156	43	3,113	
Reserves and Parks	50,327	980	49,347	-	-	1,349	-	-	-	275	-	(1,203)	(108)	50,473	1,147	49,326	
River Works	128,314	233	128,081	70	-	563	-	-	-	124	-	8,763	(357)	137,710	-	137,710	
Roads and Streets	535,951	-	535,951	-	-	5,789	-	-	-	5,875	-	24,899	(5,875)	566,639	-	566,639	
Sewerage Schemes	118,153	-	118,153	323	-	1,893	(36)	(2)	-	2,066	-	190	(2,064)	120,523	-	120,523	
Stormwater Drainage Schemes	55,768	-	55,768	-	-	99	-	-	-	970	-	4,267	(970)	60,134	-	60,134	
War Memorials	454	24	430	-	-	-	-	-	-	9	-	278	(15)	732	18	714	
Water Supply Schemes	104,992	-	104,992	54	-	1,579	(47)	(1)	-	2,175	-	(47)	(2,174)	106,531	-	106,531	
Wharves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	1,050,838	1,292	1,049,546	(10)	-	25,702	(93)	(3)	-	12,453	-	37,648	(12,522)	1,114,085	1,220	1,112,865	
Total Operational and Infrastructural Assets	1,264,610	21,342	1,243,268	(183)	-	43,345	(7,924)	(6,067)	-	17,019	(331)	33,093	(13,207)	1,332,610	19,087	1,313,523	

2009-10 COUNCIL	COST/VALN \$000's	ACCUM DEPN \$000's	CARRYING AMOUNT 1/07/2009 \$000's	WIP & OTHER RECLASSIFICATIONS		CURRENT YEAR		DISPOSALS		CURRENT YEAR			REVALUATION		COST/ REVAL 30/06/2010 \$000's	ACCUM DEPN \$000's	CARRYING AMOUNT 30/06/2010 \$000's
				COST	ACCUM DEPN	ADDITIONS	DISPOSALS	DEPN ADJUST	IMPRMNT	DEPN	TRNSFR ADJUST	COST ADJUST	DEPN ADJUST				
														\$000's			
16.1 Operational Assets																	
Work in Progress	1,182	-	1,182	(63)	-	4,185	-	-	-	-	-	-	-	-	5,304	-	5,304
Buildings	33,278	1,688	31,590	-	-	2,831	(2,310)	-	-	706	-	(2,495)	(1,261)	31,304	1,134	30,170	
Forest Crops	437	-	437	-	-	-	-	-	-	-	-	106	-	543	-	543	
Land and improvements	88,074	631	87,443	26	-	1,044	(964)	(6)	-	199	-	(2,399)	-	85,781	824	84,957	
Landfill	6,189	1,120	5,069	-	-	347	-	-	-	572	-	(745)	-	5,791	1,692	4,099	
Library Books	4,241	2,951	1,290	-	-	226	-	-	-	178	-	-	-	4,467	3,129	1,338	
Other Structures and Improvements	4,084	295	3,789	-	-	388	(25)	-	-	56	-	-	-	4,447	351	4,096	
Office Equip, Furnishings & Fittings	6,508	4,341	2,167	59	-	232	(262)	(260)	-	575	-	-	-	6,537	4,656	1,881	
Paintings	52	-	52	-	-	-	-	-	-	-	-	-	-	52	-	52	
Parking Meters	649	423	226	-	-	-	-	-	-	27	-	-	-	649	450	199	
Plant, Machinery & Equipment	6,568	3,075	3,493	-	-	349	(20)	(17)	-	444	-	-	-	6,897	3,502	3,395	
	151,262	14,524	136,739	22	-	9,602	3,581	(283)	-	2,757	-	5,533	(1,261)	151,771	15,738	136,034	
16.2 Infrastructural Assets																	
Work in Progress	8,725	-	8,725	(5,512)	-	3,458	(1,475)	-	-	-	-	-	-	5,196	-	5,196	
Bridges	34,453	-	34,453	100	-	643	-	-	-	778	-	398	(778)	35,594	-	35,594	
Car parks	14,234	10	14,224	-	-	1,359	(2,216)	(7)	-	112	-	(325)	(104)	13,052	11	13,041	
Public Conveniences	2,467	81	2,386	-	-	81	-	-	-	44	-	489	(81)	3,037	44	2,993	
Reserves and Parks	44,244	896	43,348	1,538	-	5,142	(30)	-	-	206	-	(567)	(122)	50,327	980	49,347	
River Works	128,024	118	127,906	151	-	792	-	-	-	115	-	(653)	-	128,314	233	128,081	
Roads and Streets	520,722	-	520,722	(69)	-	6,260	-	-	-	5,755	-	9,038	(5,755)	535,951	-	535,951	
Sewerage Schemes	111,718	1,756	109,962	2,123	-	6,372	-	-	-	1,890	-	(2,060)	(3,646)	118,153	-	118,153	
Stormwater Drainage Schemes	60,518	877	59,641	-	-	515	-	-	-	891	-	(5,265)	(1,768)	55,768	-	55,768	
War Memorials	451	25	426	-	-	7	-	-	-	5	-	(4)	(6)	454	24	430	
Water Supply Schemes	91,921	-	91,921	1,647	-	10,442	-	-	-	2,096	-	982	(2,096)	104,992	-	104,992	
Wharves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	1,017,477	3,763	1,013,714	(22)	-	35,071	(3,721)	(7)	-	11,892	-	2,033	(14,356)	1,050,838	1,292	1,049,546	
Total Operational and Infrastructural Assets	1,168,739	18,287	1,150,453	-	-	44,673	(7,302)	(290)	-	14,649	-	(3,500)	(15,615)	1,202,609	17,030	1,185,580	

2010-11 COUNCIL	COST/VALN \$000's	ACCUM DEPN \$000's	CARRYING AMOUNT 1/07/2010 \$000's	WIP & OTHER RECLASSIFICATIONS COST		CURRENT YEAR		DISPOSALS		CURRENT YEAR		REVALUATION		COST/ REVAL 30/06/2011 \$000's	ACCUM DEPN \$000's	CARRYING AMOUNT 30/06/2011 \$000's
				ACCUM DEPN \$000's	ADDITIONS \$000's	DISPOSALS \$000's	DEPN ADJUST \$000's	IMPRMNT \$000's	DEPN \$000's	TRNSFR ADJUST \$000's	COST ADJUST \$000's	DEPN ADJUST \$000's				
16.1 Operational Assets																
Work in Progress	5,304	-	5,304	(5,191)	-	2,205	-	-	-	-	-	-	-	2,318	-	2,318
Buildings	31,304	1,134	30,170	4,644	-	3,726	(2,055)	(490)	-	693	-	(344)	(685)	37,275	652	36,623
Forest Crops	543	-	543	-	-	-	-	-	-	-	-	-	-	543	-	543
Land and improvements	85,781	824	84,957	94	-	2,178	-	-	-	204	-	(4,128)	-	83,925	1,028	82,897
Landfill	5,791	1,692	4,099	-	-	19	(1,107)	(1,120)	-	474	-	(83)	-	4,620	1,046	3,574
Library Books	4,467	3,129	1,338	-	-	184	(1,984)	(1,983)	-	182	-	-	-	2,667	1,328	1,339
Other Structures and Improvements	4,447	351	4,096	321	-	1,221	(75)	(9)	-	61	-	-	-	5,914	403	5,511
Office Equip, Furnishings & Fittings	6,537	4,656	1,881	142	-	468	(1,870)	(1,868)	-	498	-	-	-	5,277	3,286	1,991
Paintings	52	-	52	-	-	-	-	-	-	-	-	-	-	52	-	52
Parking Meters	649	450	199	-	-	-	-	-	-	27	-	-	-	649	477	172
Plant, Machinery & Equipment	6,897	3,502	3,395	-	-	3,931	(664)	(514)	-	482	-	-	-	10,164	3,470	6,694
	151,772	15,738	136,034	10	-	13,932	(7,755)	(5,984)	-	2,621	-	(4,555)	(685)	153,404	11,690	141,714
16.2 Infrastructural Assets																
Work in Progress	5,196	-	5,196	(538)	-	13,620	-	-	-	-	-	-	-	18,278	-	18,278
Bridges	35,594	-	35,594	81	-	588	-	-	-	803	-	753	(803)	37,016	-	37,016
Car parks	13,052	11	13,041	-	-	-	-	-	-	113	-	(159)	(112)	12,893	12	12,881
Public Conveniences	3,037	44	2,993	-	-	222	(10)	-	-	43	-	(93)	(44)	3,156	43	3,113
Reserves and Parks	50,327	980	49,347	-	-	1,349	-	-	-	275	-	(1,203)	(108)	50,473	1,147	49,326
River Works	128,314	233	128,081	70	-	563	-	-	-	124	-	8,763	(357)	137,710	-	137,710
Roads and Streets	535,951	-	535,951	-	-	5,789	-	-	-	5,875	-	24,899	(5,875)	566,639	-	566,639
Sewerage Schemes	118,153	-	118,153	323	-	1,893	(36)	(2)	-	2,066	-	190	(2,064)	120,523	-	120,523
Stormwater Drainage Schemes	55,768	-	55,768	-	-	99	-	-	-	970	-	4,267	(970)	60,134	-	60,134
War Memorials	454	24	430	-	-	-	-	-	-	9	-	278	(15)	732	18	714
Water Supply Schemes	104,992	-	104,992	54	-	1,579	(47)	(1)	-	2,175	-	(47)	(2,174)	106,531	-	106,531
Wharves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,050,838	1,292	1,049,546	(10)	-	25,702	(93)	(3)	-	12,453	-	37,648	(12,522)	1,114,085	1,220	1,112,865
Total Operational and Infrastructural Assets	1,202,610	17,030	1,185,580	-	-	39,634	(7,848)	(5,987)	-	15,074	-	33,093	(13,207)	1,267,489	12,910	1,254,579

Property, Plant and Equipment (Ctd)

Land and Buildings

Council land was valued by QV Valuations (Registered Valuers) as at 1 July 2010. The basis of valuation is fair value with reference to highest and best use, as at 1 July 2010.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees.

Buildings were valued by Alexander Hayward Limited (Registered Valuers) as at 1 July 2010. The basis of valuation was fair value.

Assets acquired subsequent to valuation are shown at cost less depreciation.

In the case of Marlborough Regional Forestry, land and improvements were valued by Alexander Hayward Limited (Registered Valuers) as at 30 June 2011.

Council's forest (soil erosion prevention) was valued at 30 June 2010 by Merrill & Ring New Zealand Limited.

Improvements on Land

These are generally in the nature of playground equipment and other similar recreational structures on Council land. These assets are stated at cost less any accumulated depreciation and impairment losses.

Landfill

Council has amortised the cost of the Blenheim landfill development over its 45 year life and charged the amortisation to operating costs. The amortisation rate is based on volume utilisation divided by the capacity of the landfill site.

Library Books and Parking Meters

These are stated at independent valuation as at 30 June 1991 less accumulated depreciation plus additions at cost. The valuation was undertaken by Landcorp Management Services Limited, Registered Valuers, and was based on depreciated replacement cost. This valuation is deemed to be the cost of the asset and there is no intention to revalue these assets.

Infrastructural Assets

Roads, bridges, wharves, street lighting, street berms and street furniture assets were valued at depreciated replacement cost as at 30 June 2011 by John Vessey and Jaimie Cable of Opus International Consultants Limited.

River control and drainage assets were valued at depreciated replacement cost as at 30 June 2011. The river control and drainage valuation was performed by the Council's Rivers and Drainage Engineer, Geoff Dick. Lex Hayward of Alexander Hayward Limited conducted an independent peer review of the valuation.

Carparks were valued at optimised depreciated replacement cost (ODRC) at 30 June 2011 by Opus International Consultants Ltd.

Water, Sewer and Stormwater assets were valued at ODRC as at 30 June 2011. The valuation was performed by Council engineering staff directly associated with managing these assets. An independent review of the valuation was conducted by Alexander Hayward Limited.

Reserves, public conveniences and war memorials land were valued by QV Valuations (Registered Valuers). The value is based on 'fair value' as at 1 July 2010.

Reserves, public conveniences and war memorial buildings and improvements were valued by Alexander Hayward Limited (Registered Valuers). The value is based on fair value as at 1 July 2010.

Land under roads was valued on a fair value basis as at 30 June 2009 by Lex Hayward of Alexander Hayward Limited.

Other Fixed Assets

These are stated at cost or independent valuations (as at 19 March 1990), plus the cost of additions, less accumulated depreciation. This valuation is deemed to be the cost of the asset and there is no intention to revalue these assets. The valuations were undertaken by Harrison Grierson Consultants Limited, Registered Valuers, and were based on each item being valued as an essential part of the whole activity. Valuations were established at current market rates for reinstating the unit, and thereafter adjusting downward having regard to the age and condition of the items.

Impairment

An independent valuation of Port Marlborough's wharves and jetty facilities and land and buildings is usually performed on a 3-yearly basis. The latest review is at balance date 30 June 2010. The valuation was performed by Crighton Stone, registered independent valuers not related to Port Marlborough, to determine the fair value of the land, buildings and wharf infrastructure.

Under the boards' rotation policy for valuers, Crighton Stone replaced DTZ. Prior year figures recorded in the accounts are based on valuation undertaken by DTZ.

In respect of wharf infrastructure valuations have been based on depreciated replacement cost. Land and buildings were valued using an investment approach based on market indicated yields.

Under the New Zealand Property Institute Practice Standard 1, which came into force from 1 May, 2004, all valuations must be assessed as at the date of inspection of the property, except where the valuation instructions are to assess the value at a retrospective date.

17. Intangible Assets

	Group		Council	
	Group total \$000's	Computer software \$000's	Council total \$000's	Computer software \$000's
Cost:				
Balance at 1 July 2009	2,137	2,137	1,822	1,822
Additions	201	201	199	199
Disposals	-	-	-	-
Balance at 30 June 2010	2,338	2,338	2,021	2,021
Additions	256	256	223	223
Disposals	-	-	-	-
Balance at 30 June 2011	2,594	2,594	2,244	2,244
Accumulated amortisation and impairment:				
Balance at 1 July 2009	1,535	1,535	1,274	1,274
Amortisation charge	173	173	126	126
Balance at 30 June 2010	1,708	1,708	1,400	1,400
Amortisation expense	177	177	159	159
Balance at 30 June 2011	1,885	1,885	1,559	1,559
Carrying amount:				
Balance at 1 July 2009	602	602	548	548
Balance at 30 June 2010	630	630	621	621
Balance at 30 June 2011	709	709	685	685

There are no restrictions over the title of intangible assets and no intangible assets are pledged as security for liabilities.

Emissions Units – 737 units have been received with respect to post 1989 forests. An additional 64,500 are expected shortly and a further 105,000 during 2013, all in respect of pre 1990 forests.

18. Forestry Assets

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Balance at 1 July	10,000	10,613	10,000	10,613
Increase due to purchases	327	387	327	387
Gains / (losses) arising from changes attributable to physical changes (note 8)	531	812	531	812
Gains / (losses) arising from changes attributable to price changes (note 8)	(351)	(215)	(351)	(215)
Decreases due to sales	(1,244)	(1,597)	(1,244)	(1,597)
Balance at 30 June	9,263	10,000	9,263	10,000

The forestry estate called Marlborough Regional Forest (MRF) is managed as a joint committee of Marlborough District Council (88.5%) and Kaikoura District Council (11.5%). The MRF estate covers 2,993 stocked hectares as at 30 June 2011 (2010: 2,913)

The stocked area consists predominantly of radiata pine with small areas planted in other species. The estate consists of six forest blocks - Para, Pukaka, Strachan Peak, Koromiko, Waikakaho and Speeds. The age distribution forecast as at 30 June 2011 of the MRF estate ranges from 1-14 years 57%; 15-28 years 35% and 29-37 years 8% (2010: 1-14 years 51%, 15-28 years 39% and 29-37 years 10%).

Independent registered valuer Alexander Hayward Ltd has valued land and improvements as at 30 June 2011. Buck Forestry Service Ltd has prepared the forestry crop valuations as at 30 June 2011 based on methodology recommended by the New Zealand Institute of Forestry. A pre-tax discount rate of 8% has been used in discounting the present value of expected cash flows. The sensitivity of crop value to discount rate is shown below:

	as at 30 June 2011			as at 30 June 2010		
	7%	8% (as used)	9%	7%	8% (as used)	9%
Discount rate:						
Tree crop value (\$000's)	11,511	10,466	9,591	12,428	11,300	10,353
MDC's 88.5% share (\$000's)	10,187	9,262	8,488	10,999	10,001	9,162

Financial Risk Management Strategies

Key financial risks arise from increase in costs associated with logging/loads and cartage harvesting costs. Future yields in certain areas have shown lower volumes than expected which have been incorporated in the valuations.

19. Investment Property

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Balance at 1 July	52,407	59,995	1,743	1,731
Additions	2,196	2,508	-	26
Disposals	-	(10)	-	-
Fair valuation gains (note 6) / (losses) (note 8)	256	(10,086)	27	(14)
Balance at 30 June	54,859	52,407	1,770	1,743

The fair value of MDC's investment property at 30 June has been arrived at on the basis of a valuation carried out at that date by J F Sampson (ANZIV SPINZ) of Alexander Hayward Limited, independent registered valuers not related to the consolidated entity. The fair value of investment property has been determined using the capitalisation of net income and discounted cash flow methods. These methods are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rates.

20. Joint Venture

Marlborough District Council's interest in the Marlborough Regional Forestry joint venture is accounted for as a jointly controlled operation. The table shows Marlborough District Council's interests in the jointly controlled operation.

	Council and Group	
	2010-11 \$000's	2009-10 \$000's
Current assets	1,608	1,732
Non-current assets	16,414	17,200
Current liabilities	1,256	900
Non-current liabilities	5,755	6,153
Income	7,502	7,491
Expenses	8,448	7,581

21. Creditors and Other Payables

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Trade payables	8,051	4,743	6,135	3,226
Accrued expenses	6,549	4,767	6,549	4,767
Income in advance	1,752	1,653	1,296	1,187
Deposits	1,021	1,138	1,021	1,138
Agency account	87	116	87	116
Trust funds	228	243	228	243
Amounts due to related parties (note 29)	-	-	572	1,127
Total creditors and other payables	17,688	12,660	15,888	11,804

Creditors and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value.

22. Borrowings

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Current portion				
Bank overdraft	396	1,915	396	1,915
Secured loans	28,945	23,605	-	-
Total current portion	29,341	25,520	396	1,915
Non-current portion				
Secured loans	32,910	21,649	17,000	-
Total non-current portion	32,910	21,649	17,000	-
Total borrowings	62,251	47,169	17,396	1,915

Council

Secured loans have been raised under a \$30 M wholesale advance facility agreement with Westpac New Zealand Limited.

The loans are secured via security stock issued by Council under a Debenture Trust Deed, thereby giving Westpac the benefit of the charge on rates created by that Debenture Trust Deed.

The \$17 M of debt is issued at floating rates of interest. Council has interest rate swaps of \$14 M in place maturing between 2 May 2016 and 16 May 2018.

During the year interest rates ranged between 3.51% and 4.17% (2010: 2.49% and 2.78%).

MDC Holdings Limited

During the year interest rates ranged between 3.06% and 8.17% (2010: 2.90% and 8.72%).

Loan Maturities - Funds have been raised under a \$60 M multi-option facility agreement with the Bank of New Zealand (2010: \$60 M). The terms of that agreement includes two facilities of \$30 M each, one is due for renewal on 22 December 2012, the other 22 December 2011.

Security - Term loans have been secured by way of first mortgage over Certificates of Title 4C/1465, 3B/322, 3B/323, 3B/324 and 5D/878 of the Marlborough Land Registry. In addition a Negative Pledge Deed has been entered into with Port Marlborough New Zealand Limited.

23. Employee Entitlements

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Current portion				
Accrued pay	146	92	146	92
Annual leave	1,635	1,502	1,095	995
Sick leave	40	45	40	45
Total current portion	1,821	1,639	1,281	1,132
Non-current portion				
Retirement and long service leave	831	915	831	915
Total non-current portion	831	915	831	915
Total employee entitlements	2,652	2,554	2,112	2,047

24. Provisions

24.1 Balances	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Current portion:				
Weathertightness claims	376	295	376	295
Runway reseal provision	-	-	-	-
Obligation to PMNZL	-	-	373	-
Total current portion	376	295	749	295
Non-current portion:				
Landfill aftercare provision	1,782	558	1,782	558
Weathertightness claims	-	326	-	326
Runway reseal provision	199	43	-	-
Total non-current portion	1,981	927	1,782	884
Total provisions	2,357	1,222	2,531	1,179

Council and Group	Weather-tightness claims	Runway reseal	Landfill aftercare	Total
24.2 Movements				
Balance at 1 July 2009	-	2,797	468	3,265
Additional provisions made	621	961	90	1,672
Amounts used	-	(3,715)	-	(3,715)
Balance at 30 June 2010	621	43	558	1,222
Additional provisions made	50	166	1,224	1,440
Amounts used	(295)	(10)	-	(305)
Balance at 30 June 2011	376	199	1,782	2,357

Weathertightness Claims

One non finalised claim has been lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2011 (2010: two). These claims relate to weathertightness issues of homes in the Marlborough District Council area and name the Council as well as other parties. A provision for these claims has been established based on a Marlborough District Council assessment by Marlborough District Council's legal advisor.

RiskPool provides public liability and professional indemnity insurance for its members. The Council is a member of RiskPool. The Trust Deed of RiskPool provides that, if there is shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any fund year, then the Board may make a call on members for that fund year. The Council received a notice during 2009-2010 for a call for additional contributions in respect of the 2002-03 and 2003-04 fund years as those funds are exhibiting losses due to the "leaky building" issue. This notice also stated that further calls of a similar value will be made in the future. Provision has been made for the future calls.

Landfill closure and Aftercare Liability

The long-term nature of these liabilities means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and known changes to legal requirements. To provide for the estimated cost a charge is made each year.

Current Landfill

Marlborough District Council gained a resource consent in November 1995 to operate the Blenheim landfill.

Closure responsibilities occur at the closure of each stage of the landfill and upon final closure. Council has provided for closure of the stage currently in use and closure of the entire landfill in 2049.

Closure responsibilities include final cover application and vegetation; Incremental drainage control features; Completing facilities for leachate collection and monitoring; water quality monitoring and monitoring and recovery of gas.

The Council has responsibility under the consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. Post-closure responsibilities include treatment and monitoring of leachate; groundwater and surface monitoring; gas monitoring and recovery; implementation of remedial measures such as needling for cover and control systems; ongoing site maintenance for drainage systems and final cover and vegetation.

The cash outflows for landfill post-closure are expected to occur in 40 to 59 years time (ie: between 2050 and 2069). The estimated liability for closure and post-closure is \$1.81 M.

The following major assumptions have been made in calculating the provision:

- The remaining capacity of the site is 1.95 (2010:2.00) M cubic metres (refuse, clean fill and cover).
- The estimated remaining life is 38 years based on historical volume information.
- The granting of resource consent renewals.

Closed Landfills

Marlborough District Council renewed a resource consent in 2009 for seven of its closed landfill sites. The remaining site was consented in 1998.

The Council has responsibility under the consent to provide ongoing maintenance and monitoring of these sites. The monitoring includes groundwater monitoring; surface water monitoring; site inspections for landfill gas generation and site walkover survey to evaluate slope erosion, cap maintenance and subsidence.

The cash outflows for landfill post-closure monitoring and maintenance are expected to occur in perpetuity. The estimated annual liability is \$51,000.

Other

Council has a legal obligation to settle a historical debt of \$372,500 due to Port Marlborough. The nature of payment is being resolved between the parties.

Runway Reseal

Marlborough Airport Limited maintains the runway under their licence agreement with New Zealand Defence Force. The provision for resealing is reviewed each year. The runway provision has been spent and the funding for this was obtained through the parent company, MDC Holdings Limited.

25. Equity

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Accumulated funds				
Balance at 1 July	565,972	553,973	542,918	508,961
Transfers (to) / from reserves	(110)	(4,108)	(110)	(4,108)
Transfers (to) / from restricted reserves	1,181	17,057	1,181	17,057
Transfers from property revaluation reserves on disposal	101	379	101	379
Surplus / (deficit) for the year	7,213	(1,329)	3,098	20,629
Balance at 30 June	574,357	565,972	547,188	542,918
Ordinary and Council created reserves				
Balance at 1 July	31,883	27,775	29,267	25,159
Transfers (to) / from accumulated funds	110	4,108	110	4,108
Balance at 30 June	31,993	31,883	29,377	29,267
Restricted reserves:				
Balance at 1 July	2,424	19,481	2,424	19,481
Transfers (to) / from accumulated funds	(1,181)	(17,057)	(1,181)	(17,057)
Balance at 30 June	1,243	2,424	1,243	2,424
Restricted reserves consists of:				
Development contribution reserves	-	-	-	-
Land subdivision reserve	1,243	2,424	1,243	2,424
Property revaluation reserve:				
Balance at 1 July	666,146	657,016	640,149	628,413
Net revaluation gains	46,301	9,404	46,301	12,115
Income tax recognised directly in other comprehensive income	-	105	-	-
Transfers to accumulated funds on disposal of property	(101)	(379)	(101)	(379)
Balance at 30 June	712,346	666,146	686,349	640,149
Total other reserves	745,582	700,453	716,969	671,840
Total equity	1,319,939	1,266,425	1,264,157	1,214,758

26. Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Surplus / (deficit) after tax	7,213	(1,329)	3,098	20,629
Add / (less) non-cash items:				
Depreciation and amortisation expense	17,197	18,233	15,234	14,774
Decrease in forestry value due to harvest	1,244	1,597	1,244	1,597
Vested assets	(316)	(1,647)	(316)	(1,647)
Movement in deferred tax	(1,484)	3,254	-	-
Runway seal provision	156	(2,737)	-	-
Landfill aftercare provision	1,224	89	1,224	89
Weathertight homes and other provisions	128	622	128	622
(Gains) / losses in fair value of biological assets	(180)	(597)	(180)	(597)
(Gains) / losses in fair value of investment property	(256)	10,086	(27)	14
Impairment adjustment of non-current assets held for sale	-	928	-	928
Correction to treatment of Renwick Pavilion	-	1,475	-	1,475
(Gains) / losses on fair value of investments	(76)	(341)	(76)	(341)
(Gains) / losses on derivative financial instruments	375	(269)	155	-
	18,012	30,693	17,386	16,914
Add / (less) items classified as investing or financing activities:				
(Gains) / losses on disposal of property, plant and equipment and non-current assets held for sale	1,747	(366)	1,746	(371)
Other	49	52	-	-
Dividend income	(1)	(6)	(953)	(10,751)
Fixed assets obtained on credit	(3,737)	(107)	(3,737)	(107)
	(1,942)	(427)	(2,944)	(11,229)
Add / (less) movements in working capital items:				
Debtors and other receivables	(2,244)	3,582	(2,379)	1,784
Inventory	(5)	(17)	(48)	(9)
Income tax receivable	1,063	(1,283)	-	-
Creditors and other payables	5,063	(3,235)	4,640	(966)
Income tax payable	308	118	-	-
Employee entitlements	65	67	65	67
	4,250	(768)	2,278	876
Net cash inflow/(outflow) from operating activities	27,533	28,169	19,818	27,190

27. Capital Commitments and Operating Leases

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Capital commitments:				
Property, plant and equipment	12,276	25,564	11,390	24,354
Intangible assets	-	-	-	-
Investment property	-	-	-	-
Total capital commitments	12,276	25,564	11,390	24,354

Your attention is drawn to the Annual Plan for July 2011 to June 2012. This document is available from council offices and agencies and shows details of our intentions for the coming year.

Operating leases as lessee:

Not later than one year	232	305	230	303
Later than one year and not later than five years	6	238	1	231
Later than five years	-	-	-	-
Total non-cancellable operating leases	238	543	231	534

MDC leases motor vehicles in the normal course of its business. All operating lease contracts contain market review clauses in the event that the option to renew is exercised. MDC does not have an option to purchase the leased asset at the expiry of the lease period.

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$nil (2010 \$nil).

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Operating leases as lessor:				
Not later than one year	8,194	6,771	3,625	3,679
Later than one year and not later than five years	27,599	22,690	13,703	13,310
Later than five years	54,448	59,461	47,770	50,605
Total non-cancellable operating leases	90,241	88,922	65,098	67,594

Marlborough District Council leases its investment property, some non current assets held for sale and some land and buildings held for service delivery purposes under operating leases. The majority of these leases have a non-cancellable term of more than five years. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are detailed above.

28. Contingencies

	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Uncalled capital in MDC Holdings Ltd	65,000	65,000	65,000	65,000
Financial guarantees	1,850	1,850	1,850	1,850
Other legal proceedings	60	60	60	60
Total contingent liabilities	66,910	66,910	66,910	66,910

The Council is a participating employer in the Defined Benefit Plan Contributors Scheme (the scheme), which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the scheme, the Council could be responsible for any deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, the Council could be responsible for an increased share of any deficit. As at 31 March 2010, the scheme had a past service surplus of \$43.6 M (exclusive of Employer Superannuation Contribution Tax). This surplus was calculated using a discount rate equal to the expected return on net assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19. The actuary of the scheme has recommended that the employer contributions be suspended from 1 April 2011.

As disclosed in note 24 a provision of \$50,000 (2010 \$295,000) has been recognised for weathertightness claims where the Council has received notice of the claim. Council is also exposed to potential future claims which have not yet been advised until the statutory limitation period expires. The amount of potential future claims is not able to be reliably measured and is therefore unquantifiable. Claims must be made within 10 years of construction or alteration of the dwelling in order for the claim to be eligible under the Weathertight Homes Resolution Services Act 2006 but other statutory limitation periods could also affect claims.

Financial guarantees

The Council is listed as sole guarantor for a small number of community organisation bank loans. The Council is obligated under each guarantee to make loan payments in the event that the organisation defaults on a loan arrangement. The exercising of guarantees will be dependent on the financial stability of the community organisations, which will vary over time. At balance date, Council expects it will not be called upon by banks for these financial guarantees.

29. Related Parties Transactions

The consolidated financial statements include the results and assets and liabilities of the Marlborough District Council and other entities in which the Council has a significant interest.

All inter entity transactions and balances as listed below have been eliminated in the consolidated financial statements.

29.1 Subsidiaries and joint venture	Council	
	2010-11 \$000's	2009-10 \$000's
Subsidiaries:		
MDC Holdings Limited		
Services provided to MDC	42	35
Interest received from MDC	169	176
Dividend paid to MDC	952	10,745
Loans receivable from MDC	544	1,041
Receivable from MDC	24	81
Marlborough Airport Limited		
Services provided to MDC	1	1
Rates paid to MDC	3	2
Services provided by MDC	37	50
Payable to MDC	25	21
Port Marlborough (NZ) Limited		
Services provided to MDC	42	43
Rates paid to MDC	363	355
Services provided by MDC	506	405
Receivable from MDC	377	5
Payable to MDC	108	64
Marlborough Housing for the Elderly Trust		
Grants provided by MDC	39	39

29.2 Key management personnel	Council	
	2010-11 \$000's	2009-10 \$000's
Compensation:		
Salaries and other short term employee benefits	1,679	1,777
Termination benefits	29	-
Total key management personnel compensation	1,708	1,777

Key management personnel includes the Mayor, Councillors, Chief Executive and other senior management personnel.

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with MDC (such as payment of rates, purchase of rubbish bags etc). These goods and services were supplied on normal commercial terms.

During the year Council contracted with:

- The domestic partner of a key management team member to the value of \$17,817 (2010: 13,279), negotiated on normal commercial terms. There was a balance of \$4,448 (2010: Nil) outstanding at year end.
- A company of which Jessica Bagge, a Councillor, is a director and shareholder for signage costing \$5,562 and supplied on normal commercial terms. There was no balance outstanding at year end.
- A business of which Terry Sloan, a Councillor, is a director and shareholder for accommodation costing \$138 and supplied on normal commercial terms. There was no balance outstanding at year end.

No provision has been required, nor any expense recognised, for impairment of receivables for any loans or other receivables to related parties (2010: nil).

30. Remuneration

30.1 Chief Executive	Council	
	2010-11 \$000's	2009-10 \$000's
The Chief Executive received the following remuneration:		
Salary	278	269
Vehicle	16	16
Superannuation contribution	5	5
Total Chief Executive compensation	299	290

30.2 Elected representatives	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Elected representatives received the following remuneration:				
Mayor:				
Alistair Sowman*	123	117	114	108
Councillors:				
Jenny Andrews	41	50	41	50
Jamie Arbuckle	21	-	21	-
Jessica Bagge	19	-	19	-
Andrew Barker	7	25	7	25
Graeme Barsanti	31	44	31	44
Cliff Bowers	17	63	17	63
Warwick Brice	7	25	7	25
Jill Bunting	11	38	11	38
Liz Davidson	13	54	13	54
David Dew	29	-	29	-
Geoff Evans	20	-	20	-
Tom Harrison	10	36	10	36
Trevor Hook	19	-	19	-
Gerald Hope*	14	47	11	38
Peter Jerram	36	26	36	26
John Leggett	19	-	19	-
Francis Maher*	45	38	39	38
David Oddie	20	-	20	-
Terry Sloan	19	-	19	-
Graeme Taylor	39	38	39	38
Nigel Weetman	7	25	7	25
Total elected representatives' remuneration	567	626	549	608

Remuneration includes payment for attendance at resource consent hearings.

The Mayor and Councillor Hope and Maher were directors of MDC Holdings Limited during the reporting periods 2009-10 and 2010-11 and were paid Directors' fees by MDC Holdings Limited. A Sowman \$8,500 (2010: \$8,500), G Hope \$2,833 (2010: \$8,500), F Maher \$5,667 (2010: Nil).

31. Severance Payments

For the year ended 30 June 2011 Council made 19 payments to employees totalling \$433,000 (2010: Nil) that required disclosure under the Local Government Act 2002. All payments were made in line with employment agreements.

The value of each of the severance payments was \$4,000, \$5,000, \$6,000, \$6,000, \$8,000, \$9,000, \$10,000, \$11,000, \$12,000, \$13,000, \$14,000, \$18,000, \$24,000, \$29,000, \$39,000, \$46,000, \$48,000, \$58,000, \$73,000.

32. Events after the Balance Date

There have been no significant post balance day events between year end and the signing of the report that have had a material effect on the assets and liabilities of Council.

33. Financial instruments

33.1 Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

33.1 Financial instrument categories	Group		Council	
	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Financial assets:				
Fair value through surplus or deficit:				
Term deposits and bonds	13,096	14,535	13,096	14,535
Loans and receivables:				
Cash and cash equivalents	8,527	3,547	6,111	2,504
Debtors and other receivables	9,337	7,332	7,661	5,805
Shares	75	75	75	75
Other financial assets				
Loans to related parties	110	164	110	164
Community loans	67	77	67	77
Total loans and receivables	18,116	11,195	14,024	8,625
Financial liabilities:				
Fair value through surplus or deficit - Held for trading				
Derivative financial liability instruments	2,005	1,628	155	-
Financial liabilities at amortised cost				
Creditors and other payables	17,688	12,660	15,888	11,805
Borrowings:				
bank overdraft	396	1,915	396	1,915
secured loans	61,855	45,254	17,000	-
Total financial liabilities at amortised cost	79,939	59,829	33,284	13,720

The carrying amount is the fair value for each of these classes of financial instruments.

33.2 Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

Quoted market price (level 1) financial instruments with quoted prices for identical instruments in active markets.

Valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

33.2 Fair value hierarchy disclosures	<u>Valuation technique:</u>			
		Quoted market price	Observable inputs	Significant non-observable inputs
	Total	\$000's	\$000's	\$000's
Group 2009-10				
Financial assets				
Term deposits and bonds	14,535	14,535	-	-
Financial liabilities				
Derivatives	1,628	-	1,628	-
Group 2010-11				
Financial assets				
Term deposits and bonds	13,096	13,096	-	-
Financial liabilities				
Derivatives	2,005	-	2,005	-
Council 2009-10				
Financial assets				
Term deposits and bonds	14,535	14,535	-	-
Financial liabilities				
Derivatives	-	-	-	-
Council 2010-11				
Financial assets				
Term deposits and bonds	13,096	13,096	-	-
Financial liabilities				
Derivatives	155	-	155	-

33.3 Financial instrument risks

(a) Credit risk

Credit risk is the risk that a third party will default on its obligation to MDC causing it to incur a loss. Financial Instruments which potentially subject Council to credit risk principally consist of bank accounts, Local Authority Stock and Accounts Receivable.

The Council (both itself and through its funds manager) places its cash and short term deposits in high rating financial institutions. The Council's Treasury policy results in a spread of investments with limitations placed on the level of credit exposure to any one financial institution.

A potential concentration of credit risk exists in respect of amounts owing from LTNZ of \$1,809,321 (2010: \$393,308). This receivable is considered to be fully recoverable. Other accounts receivable balances are spread over a large customer base, therefore, minimising exposure to credit risk in respect of these debtors.

Council has a series of policies to manage the risks associated with financial instruments. Council is risk adverse and seeks to minimise exposure from its treasury activities. Council has established Management and Investment policies which do not allow any transactions that are speculative in nature to be entered into. The Council's investment policy limits the amount of credit exposure to each authorised asset class and further to only approved types of investment instruments. Investments in other local authorities are secured by charges over rates. Other than other local authorities and New Zealand Government or New Zealand Government guaranteed asset classes Council invests funds only with entities that have a Standard and Poor's credit rating of at least A1 for short-term and A- for long-term investments.

Council and the group hold no other collateral or credit enhancements for financial instruments that give rise to credit risk.

MDC's maximum credit exposure for each class of financial instrument is as follows:

	Group		Council	
	2010-11	2009-10	2010-11	2009-10
	\$000's	\$000's	\$000's	\$000's
i) Maximum exposure to credit risk				
Cash at bank and term deposits	21,623	18,082	19,207	17,039
Debtors and other receivables	9,337	7,331	7,661	5,805
Community and related party loans	177	240	177	240
Financial guarantees	1,850	1,850	1,850	1,850
Total credit risk	32,987	27,503	28,895	24,934

	2010-11	2009-10	2010-11	2009-10
	\$000's	\$000's	\$000's	\$000's
ii) Credit quality of financial assets				
Counterparties with credit ratings - cash at bank and term deposits				
A1+	-	-	-	-
AA	13,212	9,247	10,796	8,204
AA-	2,587	2,088	2,587	2,088
A+	2,140	2,622	2,140	2,622
A	2,087	2,065	2,087	2,065
A-	-	1,048	-	1,048
Counterparties without credit ratings - cash at bank and term deposits				
NR	1,597	1,012	1,597	1,012
Total	21,623	18,082	19,207	17,039
Counterparties without credit ratings - existing counterparty with no defaults in the past				
Term deposits	1,597	1,012	1,597	1,012
Community and related party loans	177	240	177	240
Total	1,774	1,252	1,774	1,252

(b) Liquidity risk

(i) Management of liquidity risk

Liquidity risk is the risk that Marlborough District Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Marlborough District Council's manages its liquidity in accordance with its funding and financial policies, which include cashflow forecasting, maintaining its financial market investments in liquid instruments, and a debt maturity policy to avoid concentrations of debt maturity dates.

These policies have been adopted as part of the Marlborough District Council's Long Term Community Plan.

(ii) Contractual maturity analysis of financial liabilities	Carrying Amount	Contractual Cashflow	Less than 1 year	1-2 years	2-5 years	5+ years
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's

This table analyses MDC's financial liabilities into maturity groupings based on the remaining period at the balance date to the contractual maturity date.

Group 2009-10

Creditors and other payables	12,655	12,655	12,655	-	-	-
Bank overdraft	1,915	1,915	1,915	-	-	-
Secured loans	45,255	47,997	25,657	22,340	-	-
Interest rate swaps	1,628	1,628	(33,127)	20,605	14,150	-
Total Financial Liabilities	61,453	64,195	7,100	42,945	14,150	-

Group 2010-11

Creditors and other payables	17,687	17,687	17,687	-	-	-
Bank overdraft	396	396	396	-	-	-
Secured loans	61,855	72,145	29,771	21,469	20,479	426
Interest rate swaps	2,005	2,005	195	657	1,008	145
Total Financial Liabilities	81,943	92,233	48,049	22,126	21,487	571

Council 2009-10

Creditors and other payables	11,801	11,802	11,802	-	-	-
Bank overdraft	1,915	1,915	1,915	-	-	-
Secured loans	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Total Financial Liabilities	13,716	13,717	13,717	-	-	-

Council 2010-11

Creditors and other payables	15,887	15,887	15,887	-	-	-
Bank overdraft	396	396	396	-	-	-
Secured loans	17,000	21,044	675	675	19,268	426
Interest rate swaps	155	155	-	-	62	93
Total Financial Liabilities	33,438	37,482	16,958	675	19,330	519

(iii) **Contractual maturity analysis of financial assets**

The table following analyses Marlborough District Council's financial assets into maturity groupings based on the remaining period to the contractual maturity date as at the balance date.

(iii) Contractual maturity analysis of financial assets	Carrying Amount	Contractual Cashflow	Less than 1 year	1-2 years	2-5 years	5+ years
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
This table analyses MDC's financial assets into maturity groupings based on the remaining period at the balance date to the contractual maturity date.						
Group 2009-10						
Cash and cash equivalents	3,548	3,548	3,548	-	-	-
Debtors and other receivables	7,330	7,330	7,330	-	-	-
Other financial assets:						
Term deposits	14,535	14,535	14,535	-	-	-
Community and related party loans	240	240	240	-	-	-
Total Financial Assets	25,653	25,653	25,653	-	-	-
Group 2010-11						
Cash and cash equivalents	8,527	8,527	8,527	-	-	-
Debtors and other receivables	9,337	9,337	9,337	-	-	-
Other financial assets:						
Term deposits	13,096	13,096	3,351	4,793	4,417	535
Community and related party loans	177	177	92	85	-	-
Total Financial Assets	31,137	31,137	21,307	4,878	4,417	535
Council 2009-10						
Cash and cash equivalents	2,527	2,527	2,527	-	-	-
Debtors and other receivables	5,804	5,804	5,804	-	-	-
Other financial assets:						
Term deposits	14,535	14,535	758	4,707	9,070	-
Community and related party loans	240	240	83	157	-	-
Total Financial Assets	23,106	23,106	9,172	4,864	9,070	-
Council 2010-11						
Cash and cash equivalents	6,111	6,111	6,111	-	-	-
Debtors and other receivables	7,661	7,661	7,661	-	-	-
Other financial assets:						
Term deposits	13,096	13,096	3,351	4,793	4,417	535
Community and related party loans	177	177	92	85	-	-
Total Financial Assets	27,045	27,045	17,215	4,878	4,417	535

(c) Sensitivity analysis

The table following illustrates the potential effect on the surplus or deficit and equity (excluding accumulated funds) impact for reasonable possible market movements, with all other variables held constant, based on Marlborough District Council's financial instrument exposures at balance date.

	2010-11		2009-10	
	-50bps Surplus \$000's	+50bps Surplus \$000's	-50bps Surplus \$000's	+50bps Surplus \$000's
GROUP INTEREST RATE RISK				
Financial assets				
Cash and cash equivalents - term deposits	-	-	-	-
Other financial assets - term deposits	(65)	65	(78)	78
Derivatives - held for trading	(781)	759	(863)	307
Total sensitivity financial assets	(846)	824	(941)	385
Financial liabilities				
Borrowings:				
Bank overdraft	2	(2)	48	(48)
Secured loans	59	(59)	-	-
Total sensitivity to interest rate risk	(845)	823	(893)	337
COUNCIL INTEREST RATE RISK				
Financial assets				
Cash and cash equivalents - term deposits	-	-	-	-
Other financial assets - term deposits	(65)	65	(73)	73
Derivatives - held for trading	280	(435)	-	-
Total sensitivity financial assets	(65)	65	(73)	73
Financial liabilities				
Borrowings:				
Bank overdraft	2	(2)	10	(10)
Secured loans	85	(85)	-	-
Total sensitivity to interest rate risk	(64)	64	(63)	63

(d) Interest rate risk

Interest rate risk is the risk that MDC may be affected by changes in the general level of interest rates. MDC is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the use of interest rate swaps contracts.

Under interest rate swap contracts MDCH Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following table detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Outstanding fixed for floating	Average contract fixed interest rate		Notional principal amount		Fair value	
	2010-11 %	2009-10 %	2010-11 \$000's	2009-10 \$000's	2010-11 \$000's	2009-10 \$000's
Group						
Less than one year	6.34%	6.61%	7,050	12,000	(195)	(239)
1 to 2 years	6.67%	6.34%	12,310	7,050	(657)	(292)
2 to 5 years	5.11%	5.90%	30,800	32,560	(1,008)	(1,097)
Greater than 5 years	5.08%	-	24,900	-	(145)	-
Total sensitivity to interest rate risk	5.47%	6.13%	75,060	51,610	(2,005)	(1,628)
Council						
Less than one year	-	-	-	-	-	-
1 to 2 years	-	-	-	-	-	-
2 to 5 years	4.50%	-	6,000	-	(62)	-
Greater than 5 years	4.73%	-	8,000	-	(93)	-
Total sensitivity to interest rate risk	4.63%	-	14,000	-	(155)	-

(e) Cash flow interest rate risk

Cash Flow interest rate risk is the risk that cash flows from an instrument will vary due to fluctuations in interest rates. A balance is achieved through having variable terms that spreads the risk of fluctuating interest rates. Council's subsidiaries mitigate exposure to fair value and cash flow interest rate risk by having a mixture of floating and fixed loans and by the use of interest rate swaps.

(f) Currency risk

The Council has minimal currency risk given that financial instruments are transacted in New Zealand dollars.

34. Capital Management

The Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

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

MDC has the following Council created reserves:

- o reserves for different areas of benefit;
- o self-insurance reserves; and
- o trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any profit relating to these separate areas of benefit is applied to the purpose of the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds generally can only be approved by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

35. Explanations of major variances against budget

Explanations for major variations from the Council's budget figures in the 2010-11 Annual Plan are as follows:

35.1 Income Statement

Revenue is \$1.058 M greater than forecast and expenditure is \$8.733 M higher than anticipated, resulting in a surplus \$7.675 M less than forecast.

Total income for the year is \$1.058 M greater than budget. Roading subsidies exceeded budget by \$3.582 M due mainly to flood damage subsidies received, these are more than offset by the related expenditure. This increase was partially offset by:

- A budgeted gain on sale of \$1.5 M from sale of sections in Council's subdivision was not achieved as the development was delayed until a more favourable economic climate
- Contributions in cash and assets from developers were \$3.099 M or 71% less than budgeted due to the significant reduction in development activity.

In addition Marlborough Regional Forestry had revenue of \$0.792 M less than budget, expenditure of \$0.445 M more than budget but a cash surplus which enabled them to distribute \$1.682 M more than budgeted to Council.

Total expenditure was \$8.733 M greater than budget. Roading costs were \$5.545 M over budget mainly due to flood damage repairs as discussed above. Two major unbudgeted non-cash expenses have impacted on the annual result:

- A \$1.6 M write off of the carrying amount of the old Aquatic Centre buildings and equipment recently demolished.
- Creation of a \$1.138 M provision to recognise the ongoing costs of managing Council's eight closed landfill sites.

Other expenditure items over budget include:

- Commissioners costs of \$0.217 M due to increased use of commissioners following the election and increasingly contentious hearings e.g. wind machines.
- Legal costs of \$0.226 M including most of the costs of the "Sheard Report".

These were partially offset by a \$1.937 M saving in interest payments and \$1.338 M in depreciation, due to timing of Council's capital expenditure programme.

35.2 Statement of Comprehensive Income

Gain on property revaluations was more than budgeted by \$20.3 M due reflecting the challenges of estimating this movement. This movement includes three years revaluation of River works assets.

35.3 Statement of Financial Position

Creditors are \$4.011 M greater than budget due to the high level on work in progress at year end resulting in a high value of invoices on hand and accrued, including retentions.

Provisions are \$1.956 M greater than budgeted due mainly to the landfill provision discussed above.

Borrowings are \$22.388 M less than budgeted due to timing of Council's capital expenditure programme.