

## FINANCIAL INFORMATION

### INCOME STATEMENT

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>INCOME</b>										
Rates	46,674	51,656	55,281	58,613	61,975	65,046	68,706	72,645	75,499	78,098
Subsidies and Grants	6,491	10,653	7,763	8,127	8,506	8,827	9,030	9,315	9,681	9,941
Dividends	538	538	538	538	538	538	538	538	538	538
Other Income	34,883	34,618	31,362	35,083	39,753	42,704	36,699	39,661	38,543	41,632
<b>Total Revenue</b>	<b>88,586</b>	<b>97,465</b>	<b>94,944</b>	<b>102,361</b>	<b>110,772</b>	<b>117,115</b>	<b>114,973</b>	<b>122,159</b>	<b>124,261</b>	<b>130,209</b>
<b>EXPENDITURE BY FUNCTION</b>										
Democratic Process	2,418	2,697	2,713	2,705	2,918	2,937	2,889	3,120	3,149	3,132
Culture and Heritage	568	623	5,630	835	840	845	850	854	863	869
Community Housing	1,026	1,007	956	988	1,016	1,052	1,084	1,117	1,145	1,180
Community Safety	273	286	298	309	321	334	318	330	344	359
Community Support	599	590	596	571	575	582	585	591	598	604
Library Services	1,376	1,412	1,458	1,508	1,553	1,590	1,630	1,666	1,708	1,780
Emergency Management	653	689	711	734	738	758	787	795	817	839
Community Facilities	5,501	5,593	5,799	6,004	6,532	6,756	6,952	7,144	7,351	7,559
Land Transport	17,001	17,734	18,699	19,581	20,441	21,409	22,301	23,089	23,960	24,124
Rivers and Land Drainage	4,236	4,418	4,608	4,914	5,118	5,275	5,391	5,518	5,675	5,811
Wastewater (Sewerage)	7,628	8,613	10,052	11,037	11,917	13,073	14,227	14,782	15,571	16,814
Stormwater	1,712	1,808	1,928	2,033	2,105	2,164	2,226	2,267	2,318	2,383
Water Supply	8,373	10,070	11,858	13,150	14,019	15,059	16,830	18,645	19,672	20,244
Solid Waste Management	5,656	6,503	6,959	7,152	7,392	7,505	7,669	7,925	8,083	8,237
Environmental Policy and Information	4,931	5,218	5,370	5,492	5,623	5,784	5,942	6,059	6,230	6,379
Regional Development	1,045	1,659	1,443	1,028	1,036	1,047	1,056	1,065	1,076	1,086
Compliance	1,694	1,722	1,769	1,812	1,855	1,908	1,942	1,993	2,055	2,111
Resource Consents	3,242	3,235	3,324	3,406	3,487	3,584	3,649	3,748	3,861	3,963
Building Control	2,368	2,326	2,346	2,412	2,470	2,541	2,589	2,660	2,740	2,813
Harbour Control	1,570	1,639	1,737	1,777	1,822	1,906	1,910	1,981	2,038	2,070
Animal Control	664	687	705	722	739	763	781	801	824	843
<b>Total Expenditure by Function</b>	<b>72,534</b>	<b>78,529</b>	<b>88,959</b>	<b>88,170</b>	<b>92,517</b>	<b>96,872</b>	<b>101,608</b>	<b>106,150</b>	<b>110,078</b>	<b>113,200</b>
Less Interest Eliminations	5,186	6,129	6,525	6,869	7,496	8,227	9,075	10,102	11,078	12,204
<b>Net Expenditure by Function</b>	<b>67,348</b>	<b>72,400</b>	<b>82,434</b>	<b>81,301</b>	<b>85,021</b>	<b>88,645</b>	<b>92,533</b>	<b>96,048</b>	<b>99,000</b>	<b>100,996</b>
Other Expenditure	3,707	1,194	1,881	2,211	2,351	2,447	2,509	2,490	2,486	2,492
Marlborough Regional Forestry	6,753	6,678	4,139	4,764	5,074	5,000	5,049	5,268	5,120	5,395
<b>Total Expenditure</b>	<b>77,808</b>	<b>80,272</b>	<b>88,454</b>	<b>88,276</b>	<b>92,446</b>	<b>96,092</b>	<b>100,091</b>	<b>103,806</b>	<b>106,606</b>	<b>108,883</b>
Surplus/(Deficit) before tax	10,778	17,193	6,490	14,085	18,326	21,023	14,882	18,353	17,655	21,326
Income tax expense	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after tax</b>	<b>10,778</b>	<b>17,193</b>	<b>6,490</b>	<b>14,085</b>	<b>18,326</b>	<b>21,023</b>	<b>14,882</b>	<b>18,353</b>	<b>17,655</b>	<b>21,326</b>

## STATEMENT OF COMPREHENSIVE INCOME

	note	2009-10 \$000's	2010-11 \$000's	2011-12 \$000's	2012-13 \$000's	2013-14 \$000's	2014-15 \$000's	2015-16 \$000's	2016-17 \$000's	2017-18 \$000's	2018-19 \$000's
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		10,778	17,193	6,490	14,085	18,326	21,023	14,882	18,353	17,655	21,326
<b>OTHER COMPREHENSIVE INCOME</b>											
Gains on infrastructure asset revaluation		22,671	25,059	27,188	26,940	28,607	29,750	34,518	38,104	39,294	40,606
Gains on land and buildings revaluation		5,246	6,296	6,145	6,604	7,171	7,988	9,088	8,440	8,084	7,828
Total other comprehensive income for the year, net of tax		27,917	31,355	33,333	33,544	35,778	37,738	43,606	46,544	47,378	48,434
<b>Total comprehensive income for the year</b>		<b>38,695</b>	<b>48,548</b>	<b>39,823</b>	<b>47,629</b>	<b>54,104</b>	<b>58,761</b>	<b>58,488</b>	<b>64,897</b>	<b>65,033</b>	<b>69,760</b>

## STATEMENT OF CHANGES IN EQUITY

note	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>ACCUMULATED FUNDS, ORDINARY AND COUNCIL CREATED RESERVES AND RESTRICTED RESERVES</b>										
Accumulated Funds at Start of Year	541,549	552,327	569,519	576,009	590,094	608,420	629,442	644,323	662,677	680,331
Net Surplus/(Deficit) for the year	10,778	17,193	6,490	14,085	18,326	21,023	14,882	18,353	17,655	21,326
<b>Accumulated Funds at End of Year</b>	<b>552,327</b>	<b>569,520</b>	<b>576,009</b>	<b>590,094</b>	<b>608,420</b>	<b>629,443</b>	<b>644,324</b>	<b>662,676</b>	<b>680,332</b>	<b>701,657</b>
<b>ASSET REVALUATION RESERVES</b>										
Asset Revaluation Reserves at Start of Year	572,648	600,564	631,920	665,253	698,797	734,575	772,313	815,920	862,463	909,842
Revaluation Adjustment	27,917	31,355	33,333	33,544	35,778	37,738	43,606	46,544	47,378	48,434
<b>Revaluation Reserves at End of Year</b>	<b>600,565</b>	<b>631,919</b>	<b>665,253</b>	<b>698,797</b>	<b>734,575</b>	<b>772,313</b>	<b>815,919</b>	<b>862,464</b>	<b>909,841</b>	<b>958,276</b>
<b>Equity at end of year</b>	<b>1,152,892</b>	<b>1,201,439</b>	<b>1,241,262</b>	<b>1,288,891</b>	<b>1,342,995</b>	<b>1,401,756</b>	<b>1,460,243</b>	<b>1,525,140</b>	<b>1,590,173</b>	<b>1,659,933</b>

# STATEMENT OF FINANCIAL POSITION

## STATEMENT OF FINANCIAL POSITION

	note	2009-10 \$000's	2010-11 \$000's	2011-12 \$000's	2012-13 \$000's	2013-14 \$000's	2014-15 \$000's	2015-16 \$000's	2016-17 \$000's	2017-18 \$000's	2018-19 \$000's
<b>RATEPAYERS' EQUITY</b>											
Accumulated Funds		530,605	542,617	550,287	562,259	573,830	586,557	591,867	598,956	606,249	613,802
Ordinary and Council Created Reserves		20,069	23,978	20,062	19,088	22,647	27,018	31,787	37,524	41,960	49,685
Restricted Reserves		1,653	2,925	5,660	8,747	11,943	15,868	20,670	26,196	32,123	38,170
Revaluation Reserves		600,565	631,919	665,253	698,797	734,575	772,313	815,919	862,464	909,841	958,276
<b>Total Ratepayers Equity</b>		<b>1,152,892</b>	<b>1,201,439</b>	<b>1,241,262</b>	<b>1,288,891</b>	<b>1,342,995</b>	<b>1,401,756</b>	<b>1,460,243</b>	<b>1,525,140</b>	<b>1,590,173</b>	<b>1,659,933</b>
<b>CURRENT ASSETS</b>											
Cash and Cash Equivalents		1,767	1,663	1,196	1,289	1,429	1,531	1,183	1,217	1,185	1,292
Trade and Other Receivables		7,317	7,324	7,132	7,162	7,184	7,173	7,155	7,185	7,166	7,189
Other Financial Assets		4,372	4,907	6,096	6,233	8,040	9,059	11,134	9,393	13,383	17,674
Inventories		248	248	248	248	248	248	248	248	248	248
Non Current Assets held for Sale		387	387	387	387	387	387	387	387	387	387
<b>Total Current Assets</b>		<b>14,091</b>	<b>14,529</b>	<b>15,059</b>	<b>15,319</b>	<b>17,288</b>	<b>18,398</b>	<b>20,107</b>	<b>18,430</b>	<b>22,369</b>	<b>26,790</b>
<b>CURRENT LIABILITIES</b>											
Trade and other Payables		12,601	12,582	12,436	12,448	12,470	12,463	12,473	12,477	12,463	12,478
Employee Benefit Liabilities		1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145
<b>Total Current liabilities</b>		<b>13,746</b>	<b>13,727</b>	<b>13,581</b>	<b>13,593</b>	<b>13,615</b>	<b>13,608</b>	<b>13,618</b>	<b>13,622</b>	<b>13,608</b>	<b>13,623</b>
<b>Working Capital</b>		<b>345</b>	<b>802</b>	<b>1,478</b>	<b>1,726</b>	<b>3,673</b>	<b>4,790</b>	<b>6,489</b>	<b>4,808</b>	<b>8,761</b>	<b>13,167</b>
<b>NON CURRENT ASSETS</b>											
Trade and Other Receivables		105	53	-	-	-	-	-	-	-	-
Intangible Assets		501	531	561	591	621	651	681	711	741	771
Biological Assets		10,235	9,385	9,620	9,165	8,659	8,147	7,844	7,238	6,657	5,917
Other Financial Assets		6,075	6,075	6,075	6,075	6,075	6,075	6,075	6,075	6,075	6,075
Property Plant & Equipment		1,158,296	1,242,382	1,305,467	1,369,183	1,420,146	1,494,509	1,566,457	1,629,458	1,686,977	1,747,075
<b>Total Non Current Assets</b>		<b>1,175,212</b>	<b>1,258,426</b>	<b>1,321,723</b>	<b>1,385,014</b>	<b>1,435,501</b>	<b>1,509,382</b>	<b>1,581,057</b>	<b>1,643,482</b>	<b>1,700,450</b>	<b>1,759,838</b>
<b>NON CURRENT LIABILITIES</b>											
Landfill Aftercare Provision		701	802	917	1,001	1,096	1,203	1,295	1,399	1,516	1,649
Employee Benefits		1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064
Borrowings	7	20,900	55,923	79,958	95,784	94,019	110,149	124,944	120,687	116,458	110,359
<b>Total Non Current Liabilities</b>		<b>22,665</b>	<b>57,789</b>	<b>81,939</b>	<b>97,849</b>	<b>96,179</b>	<b>112,416</b>	<b>127,303</b>	<b>123,150</b>	<b>119,038</b>	<b>113,072</b>
<b>Net Assets</b>		<b>1,152,892</b>	<b>1,201,439</b>	<b>1,241,262</b>	<b>1,288,891</b>	<b>1,342,995</b>	<b>1,401,756</b>	<b>1,460,243</b>	<b>1,525,140</b>	<b>1,590,173</b>	<b>1,659,933</b>

## STATEMENT OF CASH FLOWS

note	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Rates	46,674	51,656	55,281	58,613	61,975	65,046	68,706	72,645	75,499	78,098
User Charges and Other Revenues	40,269	42,428	37,992	40,149	46,798	48,381	44,246	45,640	46,666	48,074
Payments to suppliers and employees	(60,278)	(59,978)	(65,910)	(62,174)	(64,656)	(66,588)	(68,405)	(70,223)	(72,101)	(73,966)
Interest paid	(1,503)	(2,775)	(4,911)	(6,386)	(6,955)	(7,558)	(8,759)	(9,244)	(9,070)	(8,837)
<b>Net cash flows from operating activities</b>	<b>25,162</b>	<b>31,331</b>	<b>22,452</b>	<b>30,202</b>	<b>37,162</b>	<b>39,281</b>	<b>35,788</b>	<b>38,818</b>	<b>40,994</b>	<b>43,369</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Sale of assets	3,039	4,159	40	4,358	5,226	9,959	31	4,851	18	5,055
Dividends	538	538	538	538	538	538	538	538	538	538
Movements in investments	11,943	(535)	(1,189)	(137)	(1,807)	(1,018)	(2,076)	1,741	(3,990)	(4,291)
Purchase of Fixed assets	(42,064)	(70,621)	(46,343)	(50,694)	(39,213)	(64,788)	(49,425)	(41,657)	(33,363)	(38,465)
<b>Net cash flows from investing activities</b>	<b>(26,544)</b>	<b>(66,459)</b>	<b>(46,954)</b>	<b>(45,935)</b>	<b>(35,256)</b>	<b>(55,309)</b>	<b>(50,932)</b>	<b>(34,527)</b>	<b>(36,797)</b>	<b>(37,163)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
Proceeds from borrowings	7 (202)	35,024	24,035	15,826	(1,766)	16,130	14,796	(4,257)	(4,229)	(6,099)
<b>Net cash flows from financing activities</b>	<b>(202)</b>	<b>35,024</b>	<b>24,035</b>	<b>15,826</b>	<b>(1,766)</b>	<b>16,130</b>	<b>14,796</b>	<b>(4,257)</b>	<b>(4,229)</b>	<b>(6,099)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS</b>										
	(1,584)	(104)	(467)	93	140	102	(348)	34	(32)	107
Cash and equivalents at the beginning of the year	3,351	1,767	1,663	1,196	1,289	1,429	1,531	1,183	1,217	1,185
<b>CASH AND EQUIVALENTS AT THE END OF THE YEAR</b>	<b>1,767</b>	<b>1,663</b>	<b>1,196</b>	<b>1,289</b>	<b>1,429</b>	<b>1,531</b>	<b>1,183</b>	<b>1,217</b>	<b>1,185</b>	<b>1,292</b>

## STATEMENT OF ACCOUNTING POLICIES

### 1. Reporting entity

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

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

These prospective financial statements of MDC are for the ten years ended from 30 June 2010 to 30 June 2019.

MDC is not presenting group prospective financial statements as the Council believes that parent statements are more relevant to users. The main purpose of these statements is to provide users with information about the core services that the Council intends to provide to ratepayers, the expected cost of those services and the consequent requirement for rate funding. The level of rate funding required is not affected by subsidiaries except to the extent that the Council obtains distributions from, or further invests in, those subsidiaries and such effects are included in these parent prospective financial statements.

These prospective financial statements therefore reflect the activities and position of MDC plus the Council's 88.5% share in the joint committee Marlborough Regional Forestry, which is also domiciled in New Zealand.

The prospective financial statements were authorised for issue by Council on 26 March 2009.

### 2. Basis of Preparation

#### (a) Statement of Compliance

The prospective 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.

#### (b) Measurement Base

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

#### (c) Functional and Presentational Currency

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

#### (d) Changes in Accounting Policies

The accounting policies set out below have been applied consistently to the prospective financial statements in MDC's previous LTCCP (2006-16); to the financial statements for the year ended 30 June 2008; and to these prospective financial statements.

MDC has applied NZ IAS 1 'Presentation of Financial Statements' (revised 2007) for the first time in these prospective financial statements. The council has chosen to present a separate Income Statement followed by a Statement of Comprehensive Income. This has not altered any amounts recognised in the prospective financial statements.

There are no standards, amendments and interpretations issued but not yet effective that have not been early adopted and which are relevant to MDC.

#### (e) Critical Accounting Estimates and Assumptions

In preparing these prospective financial statements MDC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumption are continually evaluated and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

### 3. Significant Accounting Policies

#### (a) 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.

**(b) Revenue**

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.

**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 development contributions 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".

**(c) Borrowing Costs**

All borrowing costs are recognised as an expense in the period in which they are incurred and are calculated using effective interest method.

**(d) 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.

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.

The Council's liability for current tax is calculated using effective tax rates at the time of issue of these prospective financial statements. 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 the Council 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 negative goodwill) 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 the Council 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 items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Council intends to settle its current tax assets and liabilities on a net basis.

**(e) 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 the Council 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.

**Finance Leases**

Assets held under finance leases are recognised as assets of the Council at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

**(f) 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.

**(g) 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.

**(h) Financial Assets**

Investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs. At subsequent reporting dates debt securities that the Council has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period.

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

**(i) Impairment**

At each balance sheet date the Council 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 the Council 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 losses had been previously charged to equity.

**(j) *Derivative Financial Instruments***

The Council uses derivative financial instruments (primarily interest rate hedges and foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Such derivatives are initially recorded at fair value and are remeasured to fair value at subsequent reporting dates.

For hedges that do not result in the recognition of an asset or a liability amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged firm commitment or forecasted transaction affects net profit or loss, for example, when the future sale actually occurs.

Derivatives entered into by the Council do not qualify for hedge accounting.

Changes in the fair value of these derivative financial instruments are recognised in the Income Statement as they arise.

**(k) *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.

**(l) *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 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 increases 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 balance sheet. The liabilities of a disposal group classified as

held for sale are presented separately from other liabilities in the balance sheet.

**(m) Property, Plant and Equipment**

The Council has the following classes of property, plant and equipment:

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

**Revaluation**

Where assets are revalued the revalued amounts are their fair values at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed 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 infrastructure 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 infrastructure assets are initially valued based on the actual quantities of infrastructure components vested and the current "in the ground" cost of providing identical services and this is their deemed cost.

**Land and Buildings**

Council land was valued by QV Valuations (Registered Valuers) as at 30 June 2007. The basis of valuation is fair value with reference to highest and best use, as at 30 June 2007.

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 30 June 2007. 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 2008.

**Improvements**

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**

Infrastructural assets are recorded at valuation, plus additions at cost, less accumulated depreciation.

River control and drainage, roads, bridges, wharves, street lighting, street berms and street furniture assets were valued at depreciated replacement cost as at 30 June 2008. The river control and drainage valuation was performed by the Council's Rivers and Drainage Engineer, Brin Williman. Lex Hayward of Alexander Hayward Limited conducted an independent

# STATEMENT OF ACCOUNTING POLICIES

peer review of the valuation. John Vessey of Opus International Consultants Limited conducted the valuation of roads, bridges, wharves and street lighting. Marlborough Roads valued the street berms and street furniture.

Carparks were valued at depreciated replacement cost at 30 June 2008 by Opus International Consultants Ltd.

Water, Sewer and Stormwater assets were valued at depreciated replacement cost as at 1 July 2008. 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 30 June 2007.

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 30 June 2007.

## 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.

## 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
<b>Roads, Streets and Bridges</b>		
- Land under roads	Not depreciated	
- Pavement formation	Not depreciated	
- Pavement layers	80 - 100 years	1 - 1.25%
- Pavement surface	13 years	7.692%
- 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%
<b>Carparks</b>		
- Parking meters	10 years	10%
- Land	Not depreciated	
- Formation	Not depreciated	
- Basecourse	80 years	1.25%
- Surfacing	20 years	5%
- Markings	3 years	33.33%
<b>Buildings (excluding properties intended for sale)</b>	100 years	1%
<b>Council Computers</b>	4 years	25%
<b>Council Finance 1 computer equipment</b>	5 years	20%
<b>Plant, equipment (excluding Council infrastructural assets)</b>	5 - 13.33 years	7.69 - 20%
<b>Mowers/chainsaws</b>	1 - 2 years	50 - 100%
<b>Sewerage</b>		

- 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%
<b>Stormwater</b>		
- Pipes	80 - 100 years	1 - 1.25%
- Pump stations	20 - 100 years	1 - 5%
<b>Water</b>		
- 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%
<b>Rivers and Drainage</b>		
- 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%
<b>Library books</b>	13.33 years	7.69%

## Disposals

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

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.

## (n) 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 the Council 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.

## (o) Forestry Assets

Forestry assets 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.

## (p) 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 stated at its fair value at the balance sheet date.

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

## (q) Trade and Other Payables

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

## (r) 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 the company and Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowings and Sinking Fund Investments are set-off in the Statement of Financial Position and the Statement of Cash Flows. Sinking Fund Investments are set aside to specifically repay borrowings as they mature. For consistency Interest expense on Borrowings and Interest income on Sinking Fund Investments are set-off in the Income Statement and the Statement of Cash Flows.

**(s) Employee Entitlements**

Provision is made in respect of the Council'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.

**(t) Provisions**

Provisions are recognised when the Council has a present obligation as a result of a past event and it is probable that the Council 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.

MDC 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.

**(u) Equity**

Equity is the community's interest in the Council 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 the Council intends to make of its accumulated surpluses. These components of equity are:

- Retained earnings.
- Ordinary revenues.
- Revaluation reserves.
- 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 later 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.

**(v) Goods and Services Tax**

These financial statements have been prepared exclusive of GST, except for receivables and payables, which are GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

**(w) 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.

**(x) 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 net profit or loss for the period.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**1. All Financial Information Contained in the Notes are Forecasts (Budgets)**

The forecasts have been prepared on the basis of assumptions as to future events that the Council reasonably expects to occur that are associated with actions that the Council reasonably expects to take place as at the date the information is prepared.

The actual results achieved for the years ended 30 June 2010 to 2019 are likely to vary from the information presented, and the variations may be material.

These financial statements comply with FRS42.

**2. Elimination of Internal Interest**

To enable each activity to bear its true cost, where funds are “borrowed” by one activity of Council from another interest is charged on that borrowing at the same rate applicable to external borrowing. This interest is recorded as an expense in the Significant Activity Accounts.

This internal interest has been eliminated from the consolidated Statement of Financial Performance as follows:

Interest Expense	2009-10 \$000's	2010-11 \$000's	2011-12 \$000's	2012-13 \$000's	2013-14 \$000's	2014-15 \$000's	2015-16 \$000's	2016-17 \$000's	2017-18 \$000's	2018-19 \$000's
Total Interest Expense	6,689	8,904	11,436	13,255	14,451	15,785	17,834	19,346	20,148	21,041
Less Interest Income on Sinking Funds against External Loans	(31)	(64)	(154)	(289)	(460)	(642)	(865)	(1,128)	(1,407)	(1,703)
Less Internal Interest Expense	(5,155)	(6,065)	(6,371)	(6,580)	(7,036)	(7,585)	(8,210)	(8,974)	(9,671)	(10,501)
<b>Interest Expense</b>	<b>1,503</b>	<b>2,775</b>	<b>4,911</b>	<b>6,386</b>	<b>6,955</b>	<b>7,558</b>	<b>8,759</b>	<b>9,244</b>	<b>9,070</b>	<b>8,837</b>

## 3. Capital Expenditure Summary (GST Exclusive)

Capital expenditure summary (\$'000's)		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>DEMOCRATIC PROCESS</b> (Funded by Rates and Charges)											
Democratic process			41			44			47		
<b>TOTAL DEMOCRATIC PROCESS</b>			<b>41</b>			<b>44</b>			<b>47</b>		
<b>PEOPLE</b> (Funded by Rates and Charges)											
<b>Culture and Heritage</b>											
Heritage	Museums			53	11	11	58			62	
Cleghorn Rotunda	Improvements							18			
Picton Memorials	Improvements									25	
Rural Memorials	Improvements					3					
Ward Memorials	Improvements						12				
Rai Valley Memorials	Improvements	6									
Renwick Memorials	Improvements		124								
Other Memorials	Improvements	8	8	8	9	9	17	9	10	10	10
War Memorial - Clock	Improvements									62	64
War Memorial Fountain	Improvements							42			
	<b>sub-total</b>	<b>14</b>	<b>132</b>	<b>61</b>	<b>20</b>	<b>23</b>	<b>86</b>	<b>51</b>	<b>28</b>	<b>159</b>	<b>74</b>
<b>Community Housing</b>											
Community Housing		122	103	130	166	175	138	132	229	232	259
<b>Community Safety</b>											
Security	Security Cameras	50	52	53	54	55	56	58	59	60	62
<b>Library services</b>											
Libraries	Books and Equipment	263	267	255	414	282	318	426	332	342	527
<b>TOTAL PEOPLE</b>		<b>449</b>	<b>554</b>	<b>499</b>	<b>654</b>	<b>535</b>	<b>599</b>	<b>666</b>	<b>648</b>	<b>794</b>	<b>922</b>
<b>EMERGENCY MANAGEMENT</b> (Funded by Rates and Charges)											
Civil Defence	Plant and Equipment	19	12	16	13	13	19	14	14	19	20
Fire Protection	Plant and Equipment	15	20	20	21	21	21	22	18	18	19
<b>TOTAL EMERGENCY MANAGEMENT</b>		<b>34</b>	<b>32</b>	<b>36</b>	<b>34</b>	<b>34</b>	<b>40</b>	<b>36</b>	<b>32</b>	<b>37</b>	<b>38</b>
<b>LAND AND WATER</b>											
<b>COMMUNITY FACILITIES</b>											
<b>Cemeteries</b> (Funded by Rates and User Charges)											
Awatere	Development	5	2				6				
Fairhall	Development	35	57	26	60	6	6	18	18	131	19
Flaxbourne	Development		15								
Havelock	Development		5	5							
Omaka	Development	6	6	6	9	9	122	9	10	10	10
Picton	Development	10	26	529	27	17	12	30	12		318
Tuamarina	Development		10	21	11	22	58				64
Other	Development		31					59			
	<b>sub-total</b>	<b>56</b>	<b>153</b>	<b>588</b>	<b>107</b>	<b>54</b>	<b>202</b>	<b>116</b>	<b>40</b>	<b>141</b>	<b>411</b>
<b>Halls</b> (Funded by Rates and Charges)											
Halls			157	101	41	39	46	47	55	44	48

# NOTES TO THE FINANCIAL STATEMENTS

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Public Conveniences</b>	<b>(Funded by Rates and Charges)</b>										
Blenheim	Improvements		356	106	22	95					108
Flaxbourne	Improvements			32							
Havelock	Improvements				11						
Picton	Improvements		149	11	44		138	24	55		108
Renwick	Improvements			106							
Sounds	Improvements				11			83		87	
Rural	Improvements				11						
Canvastown	Improvements				11						
Other	Improvements								103	37	
	<b>sub-total</b>		<b>505</b>	<b>254</b>	<b>109</b>	<b>95</b>	<b>138</b>	<b>107</b>	<b>158</b>	<b>124</b>	<b>216</b>
<b>Reserves</b>	<b>(Funded by Land Subdivision Income)</b>										
Reserves	Additions, Improvements, Replacements	1,448	1,193	1,587	2,062	2,239	2,344	2,343	2,001	2,016	2,271
<b>Swimming Pools</b>	<b>(Funded by Rates and Charges)</b>										
Picton	New Facility		21	21	4,350						
Awatere	New Facility				38						
Blenheim	Improvements	6,000	4,122								
	<b>sub-total</b>	<b>6,000</b>	<b>4,143</b>	<b>21</b>	<b>4,389</b>						
	<b>TOTAL COMMUNITY FACILITIES</b>	<b>7,504</b>	<b>6,150</b>	<b>2,551</b>	<b>6,707</b>	<b>2,427</b>	<b>2,731</b>	<b>2,613</b>	<b>2,254</b>	<b>2,325</b>	<b>2,947</b>
<b>LAND TRANSPORT</b>											
<b>Parking</b>	<b>(Funded by User Charges)</b>										
Blenheim	Land, Buildings and Plant	1,021	4,223	96	99	1,366	1,829	400	423	419	237
Picton	Plant					11					37
<b>Roading</b>	<b>(Funded by Rates, Subsidies and User Charges)</b>										
General Roading	Vested Assets	624	644	659	675	689	704	720	737	755	774
	Cycle Facilities	43	103	106	108	124	129	135	140	146	152
	Sealed pavement		309	635	650	1,110	1,135	580	594	608	622
	Traffic Islands/Services	640									
	Associated Improvements	742	685	704	721	738	755	772	790	809	828
	Bridges	760	453	466	477	488	499	511	523	535	548
	Drainage	277	525	556	580	610	630	667	707	724	740
	Environment	36			38						
	Major rehabilitation	500	515	530	542	555	567	580	594	608	622
	Pavement rehabilitation	838	901	969	992	1,015	1,038	1,091	1,147	1,174	1,201
	Sealed road resurfacing	1,589	2,008	2,616	2,677	2,741	2,803	3,017	3,101	3,176	3,248
	Structures Component Replacement	155	223	243	359	259	267	333	343	354	365
	Traffic Services	278	223	230	235	241	246	281	288	294	301
	Unsealed road metalling	439	582	620	634	649	664	708	760	779	796
French Pass Road	Sealed pavement			127			110				
Keneperu Road	Sealed pavement		124		130		136		143		149
Rainbow Road	Sealed road resurfacing	60			76		93				
	Traffic Services	1	1	1	1	1	1	1	1	1	1
Hebberds Road		42									
CBD Works: Blenheim	Paved/Cobbled areas			53	1,626						
Passenger Transport	Bus shelters		52								
Street Plots		15	93	16	16	17	17	17	18	18	19
Street Trees		13	13	14	14	14	22	22	23	23	24

# NOTES TO THE FINANCIAL STATEMENTS

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Roading Related Works</b>											
	Additions: Footpaths (concrete)	125	89	94	98	101	104	108	109	112	116
	Additions: Kerb & Channel	118	93	95	98	100	102	104	107	110	112
	Additions: Sealed pavement	155	211	217	222	228	233	238	244	249	255
	Additions: Signs	21	26	32	33	34	35	35	36	37	38
	Additions: Street furniture		5	5	5	6	6	6	6	6	6
	Additions: Street lighting	38	41	42	43	44	45	46	48	49	50
	Additions: Vehicle crossings	10	12	13	13	13	14	14	14	15	15
	Renewals: Footpaths (sealed)	247	427	445	461	474	488	505	523	541	560
	Renewals: Kerb and Channel	77								122	124
	Renewals: Street Furniture	15	31	32	33	33	34	35	36	37	37
	Renewals: Vehicle crossings	26	42	49	55	62	69	77	84	92	101
Wharves	Additions: Wharves		110	113	116	119	121	124	127	130	133
Subdivisional Works	Additions: Sealed pavement	150	154	159	163	166	170	174	178	183	187
	<b>TOTAL LAND TRANSPORT</b>	<b>9,054</b>	<b>12,918</b>	<b>9,937</b>	<b>11,990</b>	<b>12,010</b>	<b>12,973</b>	<b>11,394</b>	<b>11,844</b>	<b>12,107</b>	<b>12,399</b>
<b>RIVERS AND LAND DRAINAGE</b>	<b>(Funded by Rates and Charges)</b>										
<b>Rivers out WV:</b>											
Waitohi	Additions: Culverts, Gates, Concrete walls	200	824	2,648	2,719						
Picton/Waikawa	Additions: Rock and Gabion protection	20	21	21	22	23	24	25	25	26	27
<b>Drainage:</b>											
Blenheim	Additions: Pump stations		134	275	283	292	300	311	321	331	342
	Additions: Drainage channels	70	104	107	111	115	119	123	127	131	135
Rural		90	228	235	243	252	261	270	279	287	297
<b>Rivers WV:</b>											
Lower Wairau	Additions: Stopbanks	200	72	75	78	80	83	86	89	92	95
Wairau Diversion	Additions: Stopbanks	70	10	11	11	11	12	12	13	13	14
Wairau Tuamarina	Additions: Stopbanks	150	155	161	166	172	179	185	191	197	203
Wairau gravel extraction	Additions: Rock and Gabion protection	80	83	86	89	92	95	99	102	105	108
Lower Opawa	Additions: Stopbanks	30	31	32	33	34	36	37	38	39	41
Opawa Loop	Additions: Stopbanks					23	24	25	25	26	27
Riverlands and Witherhills Streams	Additions: Other buildings & Structures	10	21	21	22	22	23	24	24	25	25
Taylor below Burleigh	Additions: Stopbanks		21	21	22	23	24	25	25	26	27
Taylor above Burleigh	Additions: Stopbanks	20	21	21	22						
Rivers land purchases	Additions: Land	100	103	265	272	280	288	296	304	311	318
Wither Hills soil conservation	Additions: Drainage channels	20	21	21	22	23	24	25	25	26	27
	<b>TOTAL RIVERS AND LAND DRAINAGE</b>	<b>1,060</b>	<b>1,848</b>	<b>4,002</b>	<b>4,114</b>	<b>1,443</b>	<b>1,492</b>	<b>1,543</b>	<b>1,589</b>	<b>1,636</b>	<b>1,687</b>
<b>WASTEWATER (SEWERAGE)</b>	<b>(Funded by Rates, Charges, Development Levies and User Charges)</b>										
Blenheim	Additions: Vested Assets	221	228	233	239	244	249	255	261	267	274
	Additions: Telemetry field equipment	6	1	2	2	2	2	2	2	2	2
	Additions: Connections	100	103	106	110	113	117	121	126	130	135
	Additions: Pipelines	520	906	282	684	566	9,345	406	2,656	326	1,790
	Renewals: Pipelines	100	103	21	22	22	23	24	25	25	26
	Additions: Pump stations		397	334	1,702	427	693	2,840	1,288	2,221	1,578
	Renewals: Pump stations		16		93	105		22	222	176	
	Additions: Treatment plant	2,735	6,196	4,025	816	3,931	173	179	555	4,028	197
	Additions: Engineering	178	146	143	146	249	439	114	262	537	264
	<b>sub-total</b>	<b>3,860</b>	<b>8,096</b>	<b>5,147</b>	<b>3,815</b>	<b>5,660</b>	<b>11,043</b>	<b>3,963</b>	<b>5,396</b>	<b>7,712</b>	<b>4,268</b>

# NOTES TO THE FINANCIAL STATEMENTS

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Picton	Additions: Telemetry field equipment	3	1	1	1						
	Additions: Connections	10	10	11	11	11	12	12	13	13	14
	Additions: Pipelines	5	366	1,102	2,241	6	1,384	6	6	7	7
	Renewals: Pipelines	250	9,116	53	54	22					
	Additions: Pump stations		3,471	4,084	2,197	730	2,063		431		
	Renewals: Pump stations	59							310		
	Additions: Treatment plant			715							8,811
	Additions: Engineering	13	295	170	180	35	143	1	39	1	582
	<b>sub-total</b>	<b>340</b>	<b>13,260</b>	<b>6,136</b>	<b>4,684</b>	<b>805</b>	<b>3,602</b>	<b>19</b>	<b>799</b>	<b>21</b>	<b>9,413</b>
Havelock	Additions: Telemetry field equipment	2		1							
	Additions: Connections	5	5	5	5	6	6	6	6	7	7
	Additions: Oxidation ponds	15	21	171						33	948
	Renewals: Pump stations						123				
	Additions: Engineering	1		5			5			3	62
	<b>sub-total</b>	<b>23</b>	<b>27</b>	<b>182</b>	<b>6</b>	<b>6</b>	<b>134</b>	<b>6</b>	<b>7</b>	<b>42</b>	<b>1,017</b>
Seddon	Additions: Telemetry field equipment										
	Additions: Connections	5	5	5	5	6	6	6	6	7	7
	Additions: Treatment plant	40	247		54	898					
	Additions: Engineering	2	5		2	42					
	<b>sub-total</b>	<b>48</b>	<b>257</b>	<b>6</b>	<b>62</b>	<b>946</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>7</b>
Grove town	Additions: Pipelines	1,088									
	Additions: Engineering	54									
	<b>sub-total</b>	<b>1,142</b>									
Spring Creek	Additions: Telemetry field equipment	1			1	1	1	1	1	1	1
	Additions: Connections	2	2	2	2	2	2	2	3	3	3
	Additions: Oxidation ponds	350	135								
	Additions: Pipelines	525									
	Additions: Engineering	43	2								
	<b>sub-total</b>	<b>922</b>	<b>139</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>
Tuam arina	Additions: Pipelines					91	2,004				
	Additions: Engineering					4	83				
	<b>sub-total</b>					<b>95</b>	<b>2,087</b>				
<b>TOTAL WASTEWATER (SEWERAGE)</b>		<b>6,334</b>	<b>21,780</b>	<b>11,473</b>	<b>8,570</b>	<b>7,514</b>	<b>16,874</b>	<b>3,998</b>	<b>6,212</b>	<b>7,786</b>	<b>14,708</b>
<b>STORMWATER (Funded by Rates and Development Levies)</b>											
Blenheim	Additions: Vested Assets	260	269	275	281	287	293	300	307	314	323
	Additions: Connections	70	72	75	77	79	82	85	88	91	95
	Additions: Pipelines	5	1,068	1,278	1,099		1,168		1,259		
	Renewals: Pipelines	50	52	53	54	56	58	60	62	64	66
Picton	Additions: Connections	5	5	5	5	6	6	6	6	7	7
	Additions: Pipelines	20	21	21	22	23	23	24	25	26	27
	Renewals: Pipelines	80	9	10	10	10	10	11	11	11	12
Renwick	Additions: Connections	5	5	5	5	6	6	6	6	7	7
	Additions: Pipelines		289								
Spring Creek	Renewals: Pipelines	10	10	11	11	11	12	12	12	13	13
	Additions: Connections	2	2	2	2	2	2	2	3	3	3
	Additions: Pipelines			10	10						

# NOTES TO THE FINANCIAL STATEMENTS

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Havelock	Additions: Connections	1	1	1	1	1	1	1	1	1	1
	Additions: Pipelines		3	3	3						
	Renewals: Pipelines			2	2						
	<b>TOTAL STORMWATER</b>	<b>508</b>	<b>1,806</b>	<b>1,750</b>	<b>1,583</b>	<b>481</b>	<b>1,662</b>	<b>507</b>	<b>1,781</b>	<b>537</b>	<b>552</b>
<b>WATER SUPPLY</b>	<b>(Funded by Rates, Charges, Development Levies and User Charges)</b>										
Blenheim	Additions: Vested Assets	195	201	206	211	215	220	225	230	236	242
	Additions: Connections	100	103	106	110	113	117	121	126	130	135
	Renewals: Connections	127	131	135	140	144	215	224	232	240	249
	Additions: Pipelines	1,932	740	996	1,275	1,615	437	1,080	468		203
	Renewals: Pipelines	50	52	53	54	56	58	60	62	64	66
	Additions: Pump stations	784	550	21	250			268	369	66	121
	Renewals: Pump stations		15						180		
	Additions: Reservoirs	6,543	2,647	159	2,414						76
	Additions: Treatment plant	705	6,121	511					57	322	121
	Additions: Engineering	335	236	93	179	99	44	59	88	79	80
	<b>sub-total</b>	<b>10,771</b>	<b>10,796</b>	<b>2,280</b>	<b>4,633</b>	<b>2,243</b>	<b>1,090</b>	<b>2,037</b>	<b>1,811</b>	<b>1,137</b>	<b>1,292</b>
Havelock	Additions: Telemetry field equipment	1									
	Additions: Connections	7	7	7	8	8	8	8	9	9	9
	Additions: Pipelines					156			275		
	Renewals: Pipelines	2	2	2	2	2	2	2	2	3	3
	Renewals: Pump stations								9		
	Additions: Reservoirs		361								
	Additions: Treatment plant	30	72	1,324							
	Additions: Engineering	2	8	38		8			15	1	1
	<b>sub-total</b>	<b>42</b>	<b>450</b>	<b>1,372</b>	<b>11</b>	<b>174</b>	<b>11</b>	<b>11</b>	<b>311</b>	<b>13</b>	<b>13</b>
Picton	Additions: Connections	12	12	13	13	14	14	15	15	16	16
	Renewals: Connections	28	28	29	30	31	32	33	35	36	37
	Additions: Pipelines	784	2,087	244	21	22	314	16,167	24	25	26
	Renewals: Pipelines	35	36	37	38	39	40	42	43	45	46
	Additions: Pump stations		587	122			46	1,775	308		
	Additions: Reservoirs	2,718	912	53	27	247	75	1,172			
	Additions: Treatment plant	1,070	989	53			58	3,372			
	Additions: Engineering	229	86	16	5	16	24	670	22	9	8
	<b>sub-total</b>	<b>4,876</b>	<b>4,737</b>	<b>566</b>	<b>135</b>	<b>369</b>	<b>604</b>	<b>23,246</b>	<b>447</b>	<b>130</b>	<b>133</b>
Renwick	Additions: Connections	15	15	16	16	17	18	18	19	20	20
	Additions: Pipelines	33	437	3	3	3	4	4	4	212	4
	Renewals: Pipelines	5	5	5	5	6	6	6	6	6	7
	Additions: Pump stations	30	93								
	Renewals: Pump stations	30	7								
	Additions: Reservoirs			1,324							
	Additions: Treatment plant	45	412	7,150							
	Additions: Engineering	8	19	361	16	3	22	1	1	18	2
	<b>sub-total</b>	<b>166</b>	<b>988</b>	<b>8,859</b>	<b>41</b>	<b>29</b>	<b>49</b>	<b>29</b>	<b>30</b>	<b>256</b>	<b>33</b>

# NOTES TO THE FINANCIAL STATEMENTS

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Awatere	Additions: Connections	10	10	11	11	11	12	12	13	13	14
	Additions: Pipelines		454	1,324		91	830			104	960
	Renewals: Pipelines	63	67	71	75	79	83	88	69	71	73
	Additions: Pump stations			138							
	Renewals: Pump stations	53	1	1	1	363					
	Additions: Reservoirs							64			
	Additions: Treatment plant	200	3,837		1,305						
	Additions: Engineering	28	80	44	55	25	38	5		14	69
	<b>sub-total</b>	<b>354</b>	<b>4,449</b>	<b>1,589</b>	<b>1,447</b>	<b>569</b>	<b>964</b>	<b>169</b>	<b>86</b>	<b>202</b>	<b>1,116</b>
Grove town	Additions: Pipelines							42	5,466		
	Additions: Engineering							1	279		
	<b>sub-total</b>							<b>44</b>	<b>5,745</b>		
Rarangi	Additions: Pipelines					170	8,877				
	Additions: Engineering				7	396					
	<b>sub-total</b>				<b>7</b>	<b>566</b>	<b>8,877</b>				
Riverlands	Additions: Pipelines	16	614	1	1	194	1	1	1	1	1
	Additions: Pump stations				381		405				
	Renewals: Pump stations									127	
	Additions: Reservoirs	60	407	74	769	79	818			954	
	Additions: Treatment plant		26	85	1,566	56	1,664			3,818	
	Additions: Engineering	4	19	5	108	15	119			367	
	<b>sub-total</b>	<b>80</b>	<b>1,066</b>	<b>165</b>	<b>2,826</b>	<b>343</b>	<b>3,007</b>	<b>1</b>	<b>1</b>	<b>5,267</b>	<b>1</b>
Spring Creek	Additions: Pipelines							42	5,466		
	Additions: Engineering							1	279		
	<b>sub-total</b>							<b>44</b>	<b>5,745</b>		
Wairau Valley	Renewals: Pump stations									3	
	Additions: Treatment plant			58	924						
	Additions: Engineering			2	37						
	<b>sub-total</b>			<b>60</b>	<b>961</b>					<b>3</b>	
Southern Valleys	Additions: Pump stations	12	12								
	Additions: Engineering	1									
	<b>sub-total</b>	<b>13</b>	<b>13</b>								
<b>TOTAL WATER SUPPLY</b>		<b>16,301</b>	<b>22,499</b>	<b>14,892</b>	<b>10,060</b>	<b>4,293</b>	<b>14,602</b>	<b>25,581</b>	<b>14,178</b>	<b>7,006</b>	<b>2,588</b>
<b>SOLID WASTE MANAGEMENT (Funded by Rates and User Charges)</b>											
Landfills	Ongoing landfill stages	435	155	174	3,268		192	3,431			
Waste Minimisation	Education/re-use centre	200									
Urban refuse collection	Kerbside recycling crates		207								
<b>TOTAL SOLID WASTE MANAGEMENT</b>		<b>635</b>	<b>361</b>	<b>174</b>	<b>3,268</b>		<b>192</b>	<b>3,431</b>			
<b>TOTAL LAND AND WATER</b>		<b>41,396</b>	<b>67,361</b>	<b>44,779</b>	<b>46,294</b>	<b>28,167</b>	<b>50,525</b>	<b>49,067</b>	<b>37,858</b>	<b>31,397</b>	<b>34,881</b>
<b>ENVIRONMENTAL POLICY AND INFORMATION</b>											
Total Environmental	Asset additions	49	51	52	53	54	55	57	58	59	61
<b>TOTAL ENVIRONMENTAL POLICY AND INFORMATION</b>		<b>49</b>	<b>51</b>	<b>52</b>	<b>53</b>	<b>54</b>	<b>55</b>	<b>57</b>	<b>58</b>	<b>59</b>	<b>61</b>
<b>REGULATORY (Funded by Rates and User Charges)</b>											
Total Consents and Compliance	Asset additions	9	10	10	10	10	10	11	11	11	11
Harbours	Boats, navigation aids, instruments and plant	104	507	369	275	78	755	54	105	414	145
<b>TOTAL REGULATORY</b>		<b>113</b>	<b>517</b>	<b>378</b>	<b>285</b>	<b>89</b>	<b>765</b>	<b>65</b>	<b>116</b>	<b>425</b>	<b>157</b>

# NOTES TO THE FINANCIAL STATEMENTS

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>TOTAL SIGNIFICANT ACTIVITIES</b>	<b>42,041</b>	<b>68,556</b>	<b>45,744</b>	<b>47,319</b>	<b>28,924</b>	<b>51,984</b>	<b>49,890</b>	<b>38,758</b>	<b>32,712</b>	<b>36,059</b>
<b>OTHER ACTIVITIES</b>										
<b>Land Development</b> (Funded from Subdivision Proceeds)										
Blenheim Development Costs		2,576		2,719		2,876		3,040		3,181
Picton Development Costs					10,203	10,498				
<b>Plant Operations</b> (Funded by Internal Charges)										
Plant Operations Plant and equipment	353	201	770	231	397	196	435	189	265	191
<b>Office Administration</b> (Funded by Internal Charges)										
Information Services Computer equipment	852	493	969	1,679	527	538	435	1,036	1,786	468
Office Administration Office equipment and fittings	117	136	233	152	155	159	163	167	171	176
Customer Services Centres Office equipment					442					
Total Regulatory Management Asset additions	2	2	2	2	2	2	2	2	2	2
<b>TOTAL OTHER ACTIVITIES</b>	<b>1,323</b>	<b>3,407</b>	<b>1,973</b>	<b>4,782</b>	<b>11,726</b>	<b>14,270</b>	<b>1,035</b>	<b>4,435</b>	<b>2,225</b>	<b>4,017</b>
<b>TOTAL MDC</b>	<b>43,365</b>	<b>71,964</b>	<b>47,717</b>	<b>52,101</b>	<b>40,649</b>	<b>66,254</b>	<b>50,925</b>	<b>43,193</b>	<b>34,937</b>	<b>40,077</b>

## 4. Overhead Accounts

Marlborough District Council Overhead Accounts have been allocated to various significant activities using appropriate allocation bases.

## 5. Expenditure Disclosures

Expenditure Disclosures	2009-10 \$000's	2010-11 \$000's	2011-12 \$000's	2012-13 \$000's	2013-14 \$000's	2014-15 \$000's	2015-16 \$000's	2016-17 \$000's	2017-18 \$000's	2018-19 \$000's
Employee Benefits	15,889	16,194	16,580	16,929	17,375	17,789	18,249	18,847	19,349	19,943
Depreciation	15,625	16,592	17,895	19,164	20,207	21,335	22,521	23,627	24,748	25,190
Grants and Donations	2,052	2,586	7,327	2,057	2,054	2,058	2,070	2,068	2,073	2,086
Forestry asset revaluation loss	612	850	(236)	455	506	512	303	607	580	741
Lease of Equipment	406	419	429	439	449	458	468	480	491	504
Rentals	138	143	146	151	155	159	164	168	172	176

**6. Other Income**

Other Income	2009-10 \$000's	2010-11 \$000's	2011-12 \$000's	2012-13 \$000's	2013-14 \$000's	2014-15 \$000's	2015-16 \$000's	2016-17 \$000's	2017-18 \$000's	2018-19 \$000's
Contributions - Vested Assets	1,300	1,343	1,373	1,407	1,436	1,467	1,500	1,536	1,572	1,613
Regulatory Fees and Charges	6,259	6,259	6,403	6,558	6,696	6,839	6,995	7,161	7,332	7,520
Infringements	437	451	461	473	483	493	504	517	528	542
User Charges	11,395	12,015	12,516	12,951	13,320	13,851	14,242	14,628	15,032	15,456
Development Impact Levies	30	31	32	32	33	34	35	35	36	37
Other	2,771	3,308	2,882	3,045	3,282	3,749	4,091	4,209	4,340	4,498
Contributions on subdivision	1,466	1,514	2,165	2,632	2,687	2,745	2,807	2,873	2,942	3,017
Property Rental	3,613	474	484	496	5,539	5,656	529	542	555	569
Gain on sale of property developments	(154)	1,549	-	1,623	-	1,693	-	1,772	-	1,861
Petroleum Tax	400	413	423	433	442	451	462	472	484	496
Marlborough Regional Forestry	7,366	7,261	4,623	5,433	5,835	5,726	5,534	5,916	5,722	6,023
<b>Total Other Income</b>	<b>34,883</b>	<b>34,618</b>	<b>31,362</b>	<b>35,083</b>	<b>39,753</b>	<b>42,704</b>	<b>36,699</b>	<b>39,661</b>	<b>38,543</b>	<b>41,632</b>

**7. Loans**

Total loan requirements budgeted are outlined below. These loans have been budgeted as 'external' borrowing but should sufficient funds be available at the time of borrowing, the loan will be internally financed.

# NOTES TO THE FINANCIAL STATEMENTS

Loans	2009-10 \$000's	2010-11 \$000's	2011-12 \$000's	2012-13 \$000's	2013-14 \$000's	2014-15 \$000's	2015-16 \$000's	2016-17 \$000's	2017-18 \$000's	2018-19 \$000's
Heritage	-	-	52	62	72	92	92	92	154	154
Community Housing	1,500	-	-	-	-	-	-	-	-	-
Cemeteries	477	616	1,193	1,288	1,326	1,505	1,603	1,506	1,638	2,008
Public Conveniences	1,001	1,470	1,706	1,784	1,838	1,976	2,082	2,239	2,363	2,481
Reserves	1,200	1,200	1,199	1,200	1,201	1,200	1,200	1,200	1,199	1,200
Swimming Pools	768	767	767	806	805	805	805	625	625	625
Blenheim: Parking	7,640	11,040	10,959	10,959	11,489	12,899	12,899	11,750	11,750	11,750
Roads and Streets	117	572	1,452	2,362	3,122	3,817	4,352	4,947	5,467	7,502
CBD Works	3,705	3,705	3,705	5,085	5,085	5,085	5,085	5,085	5,085	5,085
Roading Related Works	1,740	1,740	1,740	1,740	1,740	1,740	1,740	1,740	1,740	1,740
Wharves	110	220	330	445	560	680	800	925	1,055	1,175
Rivers outside the Wairau floodplain	200	1,024	3,672	6,391	6,391	6,391	6,391	6,391	6,391	6,391
Blenheim: Sewerage	28,976	36,236	40,408	43,249	47,793	57,554	60,219	64,182	70,272	73,127
Grovetown: Sewerage	1,418	1,418	1,418	1,418	1,418	1,418	1,418	1,418	1,418	1,418
Havelock: Sewerage	282	282	457	452	452	452	445	305	305	1,305
Picton: Sewerage	587	6,077	9,104	11,543	12,213	15,708	15,637	16,047	15,549	24,509
Renwick: Sewerage	366	366	366	366	366	366	366	366	366	366
Seddon Sewerage	90	230	230	230	1,120	1,120	1,120	1,030	1,030	1,030
Tuamara Sewerage	-	-	-	-	94	2,180	2,180	2,180	2,180	2,180
Spring Creek: Sewerage	1,138	1,273	1,273	1,269	1,269	1,269	1,269	1,235	1,235	1,235
Total Stormwater	3,799	4,584	5,348	5,943	5,707	5,828	5,505	4,872	4,722	4,722
Awatere: Water Supply	690	690	690	1,530	1,530	1,530	1,530	1,440	1,440	1,440
Blenheim: Water Supply	18,095	28,305	29,886	33,796	35,316	35,520	36,710	35,418	33,849	34,019
Grovetown: Water Supply	-	-	-	-	-	-	43	5,787	5,787	5,787
Havelock: Water Supply	785	1,215	2,575	2,440	2,571	2,559	2,412	2,610	2,610	2,610
Picton: Water Supply	5,692	7,923	8,094	8,056	8,056	8,061	31,247	31,524	31,542	31,660
Renwick: Water Supply	183	483	5,925	5,852	5,852	5,883	5,883	5,803	5,940	5,954
Riverlands: Water Supply	800	1,050	1,150	3,970	4,250	7,250	7,250	7,250	12,510	12,510
Spring Creek: Water Supply	-	-	-	-	-	-	43	5,787	5,787	5,787
Southern Valleys: Water Supply	11,318	11,318	11,318	11,318	11,318	11,318	11,318	11,318	11,318	11,318
Wairau Valley: Water Supply	13	13	72	1,033	1,026	1,026	1,026	1,026	1,026	1,026
Rarangi: Water Supply	-	-	-	-	565	9,442	9,442	9,442	9,442	9,442
Landfills	8,876	9,026	9,027	11,675	11,676	10,080	13,039	12,535	12,261	12,010
Total Transfer Stations	443	443	334	334	255	-	-	-	-	-
Total Refuse Collections	-	207	207	207	207	207	207	207	207	207
Total Waste Minimisation	1,966	1,966	1,966	1,966	1,966	1,966	1,966	1,966	1,966	1,966
Infrastructure Upgrade Reserve	885	13,249	19,395	21,492	21,492	21,492	21,366	21,366	21,366	21,366
Economic: Marketing and Tourism	120	798	1,223	1,223	1,223	1,223	1,223	1,223	1,223	1,223
<b>Total Loans</b>	<b>104,980</b>	<b>149,506</b>	<b>177,241</b>	<b>201,484</b>	<b>211,364</b>	<b>239,642</b>	<b>269,913</b>	<b>282,837</b>	<b>292,818</b>	<b>308,328</b>
Less Internal Loans	(82,801)	(90,501)	(91,501)	(96,501)	(104,501)	(112,201)	(122,401)	(134,001)	(142,301)	(157,701)
Total External Loans	22,179	59,005	85,740	104,983	106,863	127,441	147,512	148,836	150,517	150,627
Less Sinking Funds on External Loans	(1,279)	(3,082)	(5,782)	(9,199)	(12,844)	(17,292)	(22,568)	(28,149)	(34,059)	(40,268)
<b>Total External Loans</b>	<b>20,900</b>	<b>55,923</b>	<b>79,958</b>	<b>95,784</b>	<b>94,019</b>	<b>110,149</b>	<b>124,944</b>	<b>120,687</b>	<b>116,458</b>	<b>110,359</b>

## ASSUMPTIONS, DISCLOSURES AND COMPLIANCE

With any financial forecasting a number of assumptions must be made. The following assumptions have been made in the preparation of the document.

### Legislative Framework

Local Government may be significantly affected by changes in legislation. It is assumed that existing legislation will apply for the term of this plan.

### Population

It is extremely difficult to determine the level of growth in Marlborough over the next 10 years. Using census data provided since 1981 by Statistics New Zealand the population growth has been forecast for the population centres within the District. From these growth forecasts the resulting demands on District services, particularly infrastructure, have been modelled and included in Asset Management Plans. On average growth is expected to be approximately 1.4% per annum.

### Revenue

Revenue from user charges have been determined using average level of demand for services. Fluctuations are likely to occur on an annual basis but it is expected that the average targets will be achieved. Income from subsidiary operations has been supplied by subsidy entities and represents the conservative forecast options provided. Forestry income and expenditure has been forecast using age profile of forest with harvesting undertaken at 30 years of age. Log prices (in \$NZ) have been estimated using the average of the past three years. It has been assumed that these prices will be maintained over the period of the Plan. Development contribution revenue has been included in the financial figures and is included in contributions on subdivisions in Note 6 Other Income on page 133. Development Contributions revenue arising from the new Policy have been included in Financial Statements to the values shown in Section 1.1 of the Policy.

### Inflation

The costs, revenues and asset values reflected in this plan reflect the following "Forecasts of Price Level Change Adjustors to 2019" produced by BERL in September 2008 for Society of Local Government Managers.

	% change per annum								
	Road	Property	Water	Energy	Staff	Other	Pipelines	Earthmoving	Private Sector
June 11	3.0%	3.0%	3.0%	2.3%	2.7%	3.3%	3.2%	3.5%	3.2%
June 12	2.9%	2.7%	2.8%	2.6%	2.8%	2.3%	3.2%	3.4%	2.5%
June 13	2.4%	2.8%	2.7%	3.1%	2.4%	2.4%	3.2%	3.4%	2.4%
June 14	2.4%	2.8%	3.3%	2.9%	2.5%	2.1%	3.1%	3.7%	2.4%
June 15	2.2%	2.9%	2.9%	3.3%	2.5%	2.1%	3.2%	3.8%	3.4%
June 16	2.3%	3.1%	3.4%	3.3%	2.6%	2.3%	3.8%	3.4%	2.6%
June 17	2.4%	2.6%	3.1%	3.4%	3.2%	2.4%	3.9%	3.1%	2.6%
June 18	2.4%	2.3%	3.2%	3.3%	2.8%	2.4%	3.5%	3.2%	2.7%
June 19	2.3%	2.3%	3.3%	3.5%	3.1%	2.6%	3.6%	3.3%	2.3%

### Revaluations

Council's infrastructure assets and land and buildings have been revalued annually based on projected changes in the Price Level Change Adjustors. (Refer above).

### Economic Life

Council has made a number of assumptions about the useful lives of its assets. The detail for each asset category is reflected in the Statement of Accounting Policies. The useful lives are consistent with Council's experience with respect to its ongoing replacement programme.

### Range of Services

That Council will continue to perform its existing range of activities. In addition, Council will continually review how the services it is responsible for can be most effectively delivered and whether service levels can be improved.

### Financial Assistance

The financial assistance (subsidies) currently received by Council will continue at the current levels of assistance, including the anticipated subsidy for the Seddon water project.

### Use of Infrastructure Upgrade Reserve

The Infrastructure Upgrade Reserve has been used to support and address affordability issues for essential water and sewerage projects in Picton and Renwick.

## **Interest Rates/Term of Loans**

All loans have been raised for a period of 20 years with an interest rate of 7.00%. Interest on investments and bank deposits are calculated at 5.00%. These rates will be monitored annually.

## **Climate Change**

That climate change will have minimal impact over the period of this Plan.

## **Natural Disasters**

Council has included in the financial figures what it considers to be reasonable provisions to meet the impacts of natural disasters. Should such an event occur Council will review the adequacy of these provisions.

## **Emissions Trading Scheme**

The estimated impact of the emissions Trading Scheme has not been included in the 2009-2019 Long Term Council Community Plan. This decision has been made for the following reasons:

- The Government has signalled the imminent review of the scheme.
- The costs associated with the scheme are not yet certain.
- The value of credits from existing forestry holdings have yet to be quantified with certainty.

Council as a result of its significant forestry holdings is likely to be a net beneficiary from the scheme for an extended period, but because of the uncertainty surrounding the scheme and resulting costs and benefits, a conservative approach of exclusion has been adopted.

## TREASURY MANAGEMENT POLICIES

### 1. Introduction

Marlborough District Council (“MDC”) undertakes borrowing (liability management) and investment activities, which in total are referred to as treasury activity. MDC’s treasury activities are carried out within the requirements of the Local Government Act 2002 (“LGA 2002”), its related amendments and other relevant local authority legislation.

This Treasury Management Policy provides the policy framework for all of MDC’s borrowing and investment activities and defines key responsibilities and the operating parameters within which borrowing, investment and related risk management activities are to be carried out.

Key borrowing and investment objectives form the basis of the policies. These objectives, while consistent with corporate best practice, are subject to overall Council objectives, as stated in the Annual Plan and the Long Term Council Community Plan (“LTCCP”).

Because this policy can only be amended as an LTCCP amendment or as part of an LTCCP (per the LGA 2002 Section 102), other than in exceptional circumstances, this policy will be reviewed and amended, if required, on a three yearly basis coinciding with LTCCP preparation.

This Treasury Policy covers:

- Liability management. (see paragraph 2.10 for changes)
- Investments.
- Foreign exchange.

MDC acknowledges that there are various financial risks such as interest rate risk, currency risk, liquidity risk and credit risk arising from its treasury activities but operates under the assumption that being a risk averse entity it does not wish to incur unnecessary risks from its treasury activities.

MDC’s Chief Executive has overall responsibility for the operations of Council. The Manager Corporate Finance – “CFO” has responsibility for the day to day operation of the treasury function and is assisted by other finance personnel as appropriate.

MDC does not undertake any treasury activity that is unrelated to its underlying cash flows or is purely speculative in nature.

### Legislative Requirements

The Liability Management and Investment Policies of the Treasury Management Policy are in compliance with the requirements of the LGA 2002.

### 2. Liability Management Policy

#### 2.1 Purpose

MDC borrows for the following primary purposes:

- General debt to fund Council’s capital works primarily on infrastructure assets. The use of debt is seen as an appropriate and efficient mechanism for promoting intergenerational equity between current and future ratepayers in relation to Council’s assets and investments.
- Specific debt associated with significant “one-off” projects and non-financial investments from time to time.
- Borrowing through hire purchase, credit, deferred payment or lease arrangements in the ordinary course of Council business.
- Debt for energy efficiency projects.

#### 2.2 Local Government Act 2002 Requirements

Section 104 of the LGA 2002 provides that the Liability Management Policy required to be adopted under Section 102(4)(b) must state the local authority policies in respect of liability management, including:

- Interest rate exposure.
- Credit exposure.
- Liquidity.
- Debt repayment.
- Specific borrowing limits.
- The giving of security.

#### 2.3 Objectives

The objectives of the Liability Management Policy are consistent with market best practice and will take into account MDC’s 10 year plans as set out in the LTCCP. The key Liability Management objectives in relation to borrowings are to:

- Prudently manage MDC’s borrowing activities to ensure the ongoing funding of Council.

- Borrow only under Council approved facilities and as permitted by this policy.
- Minimise borrowing costs within prudent risk management control limits.
- Manage exposure to adverse interest rate movements.
- Ensure operational controls and procedures to protect MDC against financial loss, opportunity cost and other inefficiencies are maintained.

## 2.4 Borrowing Management and Internal Controls

Council approves policy parameters in relation to borrowing activities.

Council approves, by resolution, the borrowing requirement for each financial year in the annual plan or LTCCP or by later resolution during the year.

Council considers the impact on its borrowing limits (Section 2.10) as well as the size and the economic life of the asset that is being funded and its consistency with Council's LTCCP.

A resolution of Council is not required for hire purchase, leased, credit or deferred purchase of goods if:

- The period of indebtedness is less than 365 days; or
- The goods or services are obtained in the ordinary course of operations on normal commercial terms for amounts not exceeding in aggregate \$50,000.
- MDC's borrowing activities are managed centrally through its accounting function. The accounting function is broadly charged with the following responsibilities:
  - Manage MDC's borrowing programme to ensure funds are readily available at margins and costs favourable to Council.
  - Raise authorised and appropriate borrowing, in terms of both maturity and interest rate strategies.
  - Manage the impact of market risks such as interest rate risk and liquidity on MDC's borrowing by undertaking appropriate hedging activity in the financial markets.
  - Minimise adverse interest rate related increases on ratepayer charges and maintain overall interest costs within budgeted parameters.
  - Provide timely and accurate reporting of treasury activity and performance.

Council's systems of internal controls over borrowing activity include:

- Adequate segregation of duties among the core borrowing functions of deal execution, confirmation, settling and accounting/reporting.

- There are a small number of people involved in borrowing activity, however the risk from this will be further minimised by the following processes:
  - A documented approval process for borrowing activity.
  - Regular management reporting and review.
  - Regular operational risk control reviews by an independent audit function.
- Organisational, systems, procedural and reconciliation controls to ensure:
  - All borrowing activity is bona fide and properly authorised.
  - Reviews in place to ensure MDC's accounts and records are updated promptly, accurately and completely.

MDC is prohibited from borrowing in a foreign currency by Section 113 of the LGA 2002.

## 2.5 Interest Rate Risk Management

Interest rate risk management refers to managing the impact that movements in interest rates can have on MDC's cash flows. This impact can be both favourable and unfavourable.

Interest is incurred on any bank funding facility, issuance of local authority stock and other borrowing arrangements. This policy recognises that the longer the term of borrowing, the greater the interest rate risk. Longer term fixed rate borrowings may be of benefit if market interest rates rise, but equally may not allow MDC to take advantage of periods of low interest rates.

A balance is achieved through having variable terms with regard to interest rate resets. The following table details the interest rate risk management parameters that MDC is required to adhere to for all externally sourced debt.

### FIXED RATE HEDGING PERCENTAGES

	Minimum Fixed Rate	Maximum Fixed Rate
0 to 2 years	50%	100%
2 years to 5 years	30%	70%
5 years to 10 years	0%	50%

Any hedging outside these parameters or for longer than 10 years must be approved by the full Council before being initiated.

The hedging parameters are cumulative. For example if total debt was \$25 million, \$5 million of hedging entered into for a period of 5 years would increase the hedging profile for all time buckets up to 5 years, by 20%.

Fixed rate debt is defined as any debt that has an interest rate reset beyond 3 months.

MDC decides the interest rate risk management strategy by monitoring the interest rate markets on a regular basis, evaluating the outlook for short term rates in comparison to the rates payable on fixed rate borrowing. Council may use interest rate risk management products to convert fixed rate borrowing into floating rate and floating rate borrowing into fixed or hedged borrowing.

## 2.6 Authorised Interest Rate Risk Management Instruments

Council may use the following interest rate risk management instruments to manage externally sourced debt:

- Interest Rate Swaps.
- Forward Rate Agreements.
- Interest Rate Options on approved underlying instruments, eg; on Interest Rate Swaps or bonds.
- Interest Rate Collar strategy, but only where the ratio of the face value and interest rate exposure on bought to sold legs is 1:1.

## 2.7 Counterparty Exposure

Interest rate hedging can only be undertaken with New Zealand Registered Banks. An up-to-date list of New Zealand Registered Banks and current credit ratings can be obtained from the Reserve Bank of New Zealand's website.

## 2.8 Liquidity and Funding Risk

Liquidity management refers to the timely availability of funds when needed, without incurring penalty costs. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and terms than that of existing facilities. A key factor of funding risk management is to reduce the concentration of risk at any one point in time so that if one-off internal or external negative credit events occur, the overall interest cost is not unnecessarily increased.

The following guidelines have been established to provide MDC with appropriate levels of liquidity at all times, as follows:

- Cash flow forecasts will be produced to assist in the matching of operational and capital expenditure to revenue streams and borrowing requirements.
- MDC will maintain its financial market investments in liquid instruments.

The following guidelines have been established to control funding risk:

- To avoid a concentration of debt maturity dates no more than 50% or \$25 million (whichever is the highest) of debt can be subject to refinancing on a rolling 12 month basis.

## 2.9 Debt Repayment

Repayment of debt (interest and principal) is governed by:

- Affordability of debt servicing costs.
- Intergenerational equity principles.
- Maintenance of prudent debt levels and borrowing limits.

MDC repays borrowings from general or targeted rates, general funds or renewal loans.

## 2.10 Borrowing Limits

In managing its borrowings, MDC will adhere to the following financial covenants:

- Earnings before interest and tax has to be at least 2.25 times net interest. (previously 2.5)
- Gross annual interest expense cannot exceed 12.5% of total operating revenue. (previously 10%)
- Net cash flow from operating activities to exceed gross annual interest expense by at least two times.

The actual ratios for the above covenants will be determined by Council and reviewed annually.

## 2.11 Security

All loans are secured over either the separate general and targeted rates of the district or Council assets.

Formal security over either the separate general and targeted rates of the district or Council assets requires prior Council approval.

## 2.12 Borrowing Mechanisms

In developing strategies for new borrowing (in relation to source, term, size and pricing) Council takes into account the following:

- Available and Council approved sources, terms and types of borrowing.

- MDC's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates, margins and total cost relative to term and nature of the borrowing.
- The market's and Council's outlook on future interest rate movements.
- Legal documentation and financial covenants.

## 3. Investment Policy

### 3.1 Introduction

MDC holds financial investments which include:

- Special funds, sinking funds and reserves.
- Funds set aside for approved future expenditure.
- Proceeds from the sale of assets.
- Forestry.
- Temporary surpluses and working capital funds.

Council provides loans and advances to:

- MDC Holdings Limited.
- Community groups.
- Others.

Council holds equity investments which include:

- MDC Holdings Limited, which in turn holds investments in Port Marlborough Limited and Marlborough Airport Limited.
- Forestry related assets.

### 3.2 Local Government Act 2002 Requirements

Section 105 of the LGA 2002 provides that the Investment Policy required to be adopted under Section 102(4)(c) must state the local authority policies in respect of investments, including:

- The mix of investments.
- The objectives in terms of which financial and equity investments are to be managed.
- The acquisition of new investments.
- An outline of the procedures by which investments are managed and reported on to the local authority.
- An outline of how risks associated with investments are assessed and managed.

### 3.3 Objectives

The objectives of this investment policy are consistent with market best practices and will take into account the requirements of MDC's Annual Plan and LTCCP. The key investment policy objectives are to:

- Prudently manage MDC's investment assets in the interests of the Council's district and its inhabitants and ratepayers, only for lawful purposes and so as to safeguard against loss.
- Manage investments in accordance with the LGA 2002 and the Trustee Act 1956; administer, manage and account for its funds and exercise the care, diligence, and skill that a prudent person of business would exercise in managing the affairs of others.
- Maximise investment income within a prudent level of investment risk. Council recognises that as a responsible public authority any investments that it does hold should be of relatively low risk. It also recognises that lower risk generally means lower returns.
- Ensure the integrity of MDC's financial market investments by only investing in appropriate organisations and financial market instruments as specified in this policy.
- Ensure investments are maintained at an appropriate level of liquidity to enable the provision of cash flow when required.
- Manage the potential risk due to adverse interest rate movements.
- Maintain relationships with financial market participants, to enable MDC to carry out its financial market investment activities in an efficient and practical way.
- Regularly review the performance and credit-worthiness of all investments.
- Maintain operational controls and procedures to best protect Council against financial loss, opportunity cost and other inefficiencies.

### 3.4 Investment Management and Internal Controls

Council approves policy parameters in relation to investment activities.

MDC's investment activities are managed centrally through an accounting function and takes the following into consideration when deciding on the suitability of any investment:

- The desirability of diversifying investments.
- The nature of existing investments.
- The risk of capital loss or depreciation.
- The potential for capital appreciation.
- The likely income return.
- The length of the term of the proposed investment.
- The marketability of the proposed investment.
- The effect of the proposed investment in relation to tax liability.
- The likelihood of inflation affecting the value of the proposed investment.

Council's systems of internal controls over investment activity include:

- Adequate segregation of duties among the core investment functions of deal execution, confirmation, settling and accounting/reporting. There are a small number of people involved in investment activity, however the risk from this will be further minimised by the following processes:
  - A documented approval process for investment activity.
  - Regular management reporting and review.
  - Regular operational risk control reviews by an independent audit function.
- Organisational, systems, procedural and reconciliation controls to ensure:
  - All investment activity is bona fide and properly authorised.
  - Reviews are in place to ensure MDC's accounts and records are updated promptly, accurately and completely.
- Overall assessment of performance of funds management.

## 3.5 Financial Market Risk Management

MDC's primary objective when investing is the protection of its capital. Accordingly, only creditworthy counterparties are acceptable. Specifically, MDC minimises its credit exposure by ensuring that all financial market investments meet the criteria outlined in the following table. These limits are cumulative and relate to the combined 'short and long' term funds portfolios. Liquidity risk is managed by ensuring that all investments are readily tradable on the secondary market. In practice this is achieved by the credit rating and financial market instrument criteria contained in the investment table.

Counterparty risk shall be managed by only permitting financial market transactions with New Zealand Registered Banks and full members of the New Zealand Stock Exchange.

## AUTHORISED INVESTMENT CRITERIA

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments	Credit Rating Criteria	Limit for each issuer subject to overall portfolio limit for issuer class.
New Zealand Government or Government Guaranteed.	100%	<ul style="list-style-type: none"> <li>Government Stock</li> <li>Treasury Bills</li> </ul>	Not Applicable	Unlimited
Local Authorities where rates are used as security.	70%	<ul style="list-style-type: none"> <li>Promissory Notes</li> <li>Bonds/MTN's/FRN's</li> </ul>	Not Applicable	\$3.0 million \$3.0 million
New Zealand Registered Banks.	100%	<ul style="list-style-type: none"> <li>Call/Deposits/Bank Bills/Promissory Notes</li> <li>Bonds/MTN's/FRN's</li> </ul>	Short term S&P rating of A1 or better Long term S&P rating of A+ or better	\$10.0 million \$5.0 million*
State Owned Enterprises.	70%	<ul style="list-style-type: none"> <li>Promissory Notes</li> <li>Bonds/MTN's/FRN's</li> </ul>	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better	\$3.0 million \$1.0 million \$3.0 million
Corporates.	70%	<ul style="list-style-type: none"> <li>Promissory Notes</li> <li>Bonds/MTN's/FRN's</li> </ul>	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better	\$3.0 million \$1.0 million \$3.0 million
District Health Boards.	40%	<ul style="list-style-type: none"> <li>Promissory Notes</li> <li>Bonds/MTN's/FRN's</li> </ul>	Short term S&P rating of A1 or better Long term S&P rating of A+ or better	\$3.0 million \$3.0 million

Investments that no longer comply with minimum rating criteria due to a rating downgrade must be sold within one month of the downgrade being notified, unless Council formally approves the continued holding of the investment.

\* Investments in New Zealand Registered Banks are restricted to a maximum of 5% of an individual bank's tier one capital as detailed in its latest Reserve Bank return.

### 3.6 Interest Rate Risk Management

Interest rate risk refers to the impact that movements in interest rates can have on MDC's cash flows. MDC's financial investments give rise to direct exposure to interest rate movements. Interest rate risk is managed by Council as part of its overall investment strategy.

The following interest rate risk management instruments in relation to investment are approved by Council:

- Interest Rate Swaps.
- Forward Rate Agreements.

Council does not enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

### 3.7 Duration Control for Long Term Funds Portfolio ("LTFP")

Duration calculates the effective average term of an investment portfolio by combining all individual investments and weighting all the cash flows using a series of net present value calculations. Duration is then reported as the average life of the portfolio as if it was effectively one investment instrument, eg; 2.9 years.

The duration for the LTFP shall be controlled by referencing its duration against an appropriate external benchmark. MDC is able to vary the duration of the portfolio by no more than 25% either side of the benchmark portfolio's duration. Compliance with the duration control is not required if the nominal value of the portfolio is less than \$5 million.

### 3.8 Benchmarking

Benchmarking measures the performance of a portfolio against an appropriate external benchmark, thus providing MDC with an indication as to the effectiveness and suitability of the current investment parameters and the manner in which the parameters are being implemented at an operational level.

MDC shall benchmark the performance of the LTFP against the performance of an appropriate external benchmark portfolio. Compliance with the benchmarking standard is not required if the nominal value of the portfolio is less than \$5 million.

### 3.9 Equity Investments

MDC reviews the performance of the trading enterprises at least annually to ensure that strategic and financial objectives set are being achieved. In particular the Council reviews the financial returns and the present and future values of these investments.

Significant dispositions and acquisitions require Council approval.

All income is reflected in the consolidated MDC accounts with dividend income reflected in the MDC accounts as revenue.

It is not contemplated that MDC will make any future equity investments, to do so would require a specific Council resolution.

### 3.10 Loans and Advances

These are made to:

- Trading enterprises on an arms length basis and in accordance with normal commercial practice.
- Community organisations to facilitate the ongoing provision of community services or recreational opportunities. These are usually at a lower than commercial interest rate.

Council sets the criteria to apply for any other loans or advances as they are granted. It is normal that MDC secures loans and advances against the assets of the organisation and obtains personal guarantees where appropriate. MDC as a rule is not a lender of money.

Interest and principal repayments are monitored to ensure they comply with loan agreements.

## 4. Foreign Exchange Policy

MDC may incur foreign exchange exposures through the occasional purchase of foreign exchange denominated plant, equipment and services. All significant commitments defined as an exposure in excess of NZD50,000 equivalent are hedged using foreign exchange contracts.