



ANNUAL REPORT

July 2006 - June 2007



MISSION STATEMENT

Enabling social and economic development in balance with environmental and community needs.



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MDC DIRECTORY

POSTAL ADDRESS

P O Box 443, Blenheim 7240

Telephone: (03) 520 7400

0800 4 MDC 4U (0800 463 248)

(For use by residents in the outer Sounds
and Rai Valley areas)

Facsimile: (03) 520 7496

Email mdc@marlborough.govt.nz

Web: www.marlborough.govt.nz

GENERAL STATISTICS

- **Population** (Census count 7 March 2006) 46,179
- **Population** (Resident 7 March 2006)..... 42,558
- **Inter-Census Population Movement**.....(+)
8.6%
- **District Area** - 17,517 square kilometres
as at 30 June 2007
- **Rateable Land Value** \$6,286,409,000
- **Rateable Capital Value** \$11,676,549,200
- **Number of Rate Assessments** 24,421

ADDRESSES

District Administration Building

15 Seymour Street, Blenheim 7201

Picton Service Delivery Centre (includes Library)

67 High Street, Picton

Harbour Control

Mariner's Mall, Picton

Marlborough Library

Corner Arthur and Seymour Streets,
Blenheim

Animal and Plant Pests Depot and Services

Freswick Street, Blenheim

Reserves Depot

Pollard Park, Blenheim

SOLICITOR

P J Radich of Radich Dwyer
Blenheim

BANKERS

Bank of New Zealand, Blenheim

AUDITOR

Auditor General
Audit New Zealand
Christchurch

MAYOR'S REPORT

I am delighted to present the Council's Annual Report for 2006/2007. The report confirms the sound financial health of the Council, and shows that the community's interests are being managed prudently and with an eye to the future. It is also pleasing to note that with very few exceptions, the levels of service performance for Council activities are being consistently achieved.

Reading this Annual Report gives a very clear picture of the range of Council's activities, and it is apparent from reading it that through one means or another Council touches the lives of every person in Marlborough. For that reason, the annual report is an important document of accountability to the community, and provides an assurance that Council's business is being undertaken responsibly and according to the mandates that have been given.

The strong growth of the province has seen continued investment in core infrastructure - our roads, water and sewer pipe networks - which we can easily take for granted. Developers contribute to these networks through levies on subdivision. Examples last year include significant improvements to Blenheim sewage treatment, sewer and water pipeline upgrades in Picton and Blenheim, Renwick stormwater pipelines and over \$6 million on roading capital projects throughout Marlborough. A major improvement to Picton and the province's sports fields has been the redevelopment of Endeavour Park resulting in a much higher quality playing surface. There will need to be an ongoing focus on infrastructure during the term of the next Council.

A number of variations to the Wairau Awatere Plan are at different stages of the consultation and hearing process. Among the more significant changes is a proposal to strengthen the Central Business Zone to protect the vitality of Blenheim's heart. Also now underway is the review of the Regional Policy Statement. This policy review will set the Resource Management Framework for Marlborough for the next 10 -15 years. It is very important that everyone takes the opportunity to participate in the consultation framework developed in the term of this Council. I look forward to working with the community on this project.

I am very proud of the achievements of the past three years. Council has been exceptionally well served in those achievements by the Chief Executive and his staff, and I have no doubt that this will continue under the next Council.



**Alistair Sowman
MAYOR**

CHIEF EXECUTIVE'S REPORT

The 2006/07 financial year has been one of continued consolidation around our core principles of prudent financial management and a commitment to delivering the best possible service within the resources that have been allocated. Variances from our projected budget, and the levels of service commitments that were made in the Long Term Council Community Plan, are all within expected and acceptable margins. Council's forward projections are made with the knowledge that our operating environment is a volatile one, and that we are at the mercy of external forces. Just as households and businesses have to bear the inflationary cost of power and fuel increases, and the rising cost of basic staples, so too is Council exposed to cost factors that are largely beyond our control.

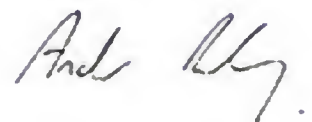


With that in mind, I am always pleased to be able to present our annual report and see that we have been provided with a clear opinion from our Auditors, and to be able to advise the Mayor and Councillors that the assets and finances of Council are in good health. Good progress is being made on a number of major projects, including the convention centre that is now very close to completion as part of the Combined Clubs building.

The latest plans for the development of the Picton waterfront have also been advancing through a series of consultation stages, and a growing consensus is forming on the shape and form of this very exciting project. On the policy front, a major review of the Regional Policy Statement is well underway, and when completed will set a solid foundation for the district's resource management planning over the coming years. Extensive public consultation has already been a feature of this project, and will continue into 2008.

Council staff are absolutely committed to continually improving on our processes of communication and consultation, and we have an active programme of making Council information as easily and readily available to the public of Marlborough as is possible. We also place a very high store on personal service and assistance.

Council's staff are without doubt our greatest strength, and it was with considerable sadness that we marked the sudden and unexpected passing of one of our longest serving members of staff, Dave Yarrall. Dave was a senior member of Council's financial management team and over many years was closely involved in the production of all our annual plans and reports, including this one. Dave will always be remembered for his professionalism, and for his warm character and personality. Our deepest sympathies lie with Dave's family, and with his many friends at Council and in the community.

A handwritten signature in black ink, which appears to read "Andrew Besley". The signature is written in a cursive, flowing style.

**Andrew Besley
CHIEF EXECUTIVE**

ROLE OF ANNUAL REPORT

This Annual Report has been prepared to enable readers to assess the performance of the Marlborough District Council for 2006/2007 against the policies, activities, objectives, performance targets and financial details contained in the Council's 2006/2016 Community Plan.

An Annual Report is required by Section 98 of the Local Government Act 2002. Financial and non-financial information is required to be included for each activity.

If any member of the public wishes to discuss any aspect of this report, a council officer will be more than pleased to meet with you. In the first instance please telephone Judith North, Committee Secretary (03) 520-7400, Blenheim.

COUNCIL STAFF STRUCTURE



ELECTED COUNCIL MEMBERS

(as at 30 June 2007)

BLENHEIM WARD



Jenny Andrews
(Deputy Mayor)



Jill Bunting



Frank Connor



Alistair Sowman

MAYOR



John Craighead



Liz Davidson



Gerald Hope



Graeme Taylor

WAIRAU/AWATERE WARD



Andrew Barker



Francis Maher



Pat O'Sullivan

PICTON WARD



Cliff Bowers



Nigel Weetman

PELORUS/NORTHERN MARLBOROUGH SOUNDS WARD



Graeme Barsanti

COUNCIL COMMITTEES AND MEMBERS

(as at 30 June 2007)

The Marlborough District Council has five standing committees, a joint committee with Kaikoura District Council, two statutory committees, five sub-committees, and under a memorandum of understanding with a majority of tangata whenua iwi, the Maori Advisory Komiti. The committees and their membership are as follows:

ASSETS & SERVICES COMMITTEE

This committee is responsible for all infrastructure including roads, sewerage, water, stormwater, rivers and drainage, parking, waste management (including recycling), reserves, halls, cemeteries, public conveniences. Also responsible for civil defence and emergency management (including rural fire) and road safety.

Chairperson – Clr Francis Maher
 Deputy Chairperson – Clr Graeme Taylor
 Clr Graeme Barsanti
 Clr Frank Connor
 Clr Pat O'Sullivan
 Clr Nigel Weetman
 Mr Richard Hunter (iwi representative)
 Mayor Alistair Sowman (ex officio)

- **Regional Land Transport Committee**

This committee prepares for approval by Council the Regional Land Transport Strategy prepared under the Land Transport Management Act 2003 and the Land Transport Programme prepared under the Land Transport Act 1998.

Clr Graeme Barsanti – Chair
 Clr Francis Maher
 Clr Pat O'Sullivan
 Land Transport New Zealand representative
 Transit New Zealand representative
 New Zealand Police representative
 Commercial Road User representative
 Private Road User representative
 Railway operator representative
 Taxi representative
 NZCCS representative
 Cyclist representative
 Marlborough Chamber of Commerce representative
 District Health Board representative
 Environmental Centre representative
 Maori representative

COMMUNITY AND FINANCIAL PLANNING COMMITTEE

This committee is responsible for the Long Term Council Community Plan, Annual Plan, Annual Reports, economic development, community and social development, youth, elderly and access issues, art, culture and heritage, grants and donations and sister cities. Also responsible for financial performance, general administration, property management, Council subsidiaries, libraries, customer services, democratic process and liquor licensing.

Chairperson – Clr Andrew Barker
 Deputy Chairperson – Clr Graeme Barsanti
 Clr Jenny Andrews
 Clr Cliff Bowers
 Clr Frank Connor
 Clr Gerald Hope
 Clr Francis Maher
 Clr Pat O'Sullivan
 Clr Graeme Taylor
 Mrs Yvonne Burns (iwi representative)
 Mayor Alistair Sowman (ex officio)

- **Elderly, Access And Mobility Sub-committee**

The focus of the sub-committee is issues related to the elderly access and mobility which includes Council's elderly housing portfolio.

Clr Jenny Andrews - Chair
 Clr Frank Connor
 Clr Graeme Taylor

- **Grants Sub-committee**

This sub-committee carries out Council's partnership with Creative New Zealand to ensure local arts funding is available to the Marlborough area by distribution of grants. This sub-committee has the power to recommend to Council loans to sporting, recreation and community organisations from the Recreation Facilities Loan Fund. The sub-committee has also been tasked with making recommendations on the allocation of Council's Annually Applied Grants and Donations.

Clr Jenny Andrews - Chair
 Clr Graeme Taylor
 Two iwi representatives (M Bond & R Katu)

Creative Marlborough representative (L Smith)
Sports Trust representative
Four community representatives (R Carr,
G Duncan, J Laing and R Weaver)

- **Liquor Licensing Sub-committee (DLA)**

Council has delegated its powers, duties and discretions under the Sale of Liquor Act 1989 to this sub-committee to act as the Marlborough District Licensing Agency.

Clr John Craighead - Chair
Clr Jenny Andrews
Clr Nigel Weetman

- **Sister City Sub-committee**

This sub-committee manages Council's Sister City activities and strives to involve greater community participation and sponsorship in the programme.

Clr Graeme Barsanti - Chair
Clr Liz Davidson
Mayor Alistair Sowman
Six community representatives (P M Bradshaw,
C S Cairns, R J Hopkins, B M F Lankshear,
B R Lankshear, K A Stewart)

ENVIRONMENT COMMITTEE

This committee is responsible for animal control, biosecurity, building control, dangerous goods, fencing of swimming pools, food and health monitoring, harbour management, historic places, resource management consent processing, monitoring of consents, compliance control. Also responsible for environmental policy and regional planning.

Chairperson – Clr Gerald Hope
Deputy Chairperson – Clr John Craighead
Clr Jenny Andrews
Clr Andrew Barker
Clr Cliff Bowers
Clr Jill Bunting
Clr Liz Davidson
Mrs Yvonne Burns (iwi representative)
Mr Chris Bowron (rural representative)

- **Animal Control Sub-committee**

This sub-committee has responsibility for animal control including administration and dealing with any right of objection to the Council in terms of the Dog Control Act 1996.

Clr Liz Davidson - Chair
Clr Jenny Andrews
Clr John Craighead

HEARINGS COMMITTEES (2)

These committees make decisions on applications for resource consents. Provision is made for two Hearings Committees.

Chairperson – Clr Liz Davidson
Chairperson – Clr Jill Bunting
(Plus other members as required from the Environment Committee).

SOUTHERN VALLEYS' IRRIGATION SCHEME SUB-COMMITTEE

This sub-committee was formed to oversee the operation of the Scheme.

Chairperson – Mr Stuart Smith
Clr Andrew Barker
Clr Francis Maher
Clr Pat O'Sullivan
Mr Chris Simmonds
Mr Ivan Sutherland

CIVIL DEFENCE EMERGENCY MANAGEMENT GROUP

This committee has been formed in accordance with the Civil Defence and Emergency Management Act 2002. The Group is responsible for overseeing the development, maintenance, monitoring and evaluation, and implementation of the Group Plan required by Section 17(1)(i) of the Act.

Mayor Alistair Sowman – Chair
Clr Graeme Barsanti
Clr Andrew Barker
Clr Gerald Hope
Clr Francis Maher

MAORI ADVISORY KOMITI

This committee was established under a Memorandum of Understanding in 1997. The memorandum sets out the intention of both parties to support a partnership between tangata whenua iwi and Council.

Currently there are six iwi represented on the committee:

Ngai Tahu Whanau o Wairau
Ngati Apa Ki Te Waipounamu Trust
Ngati Koata No Rangitoto Ki Te Tonga Trust
Ngati Rarua Iwi Trust
Ngati Toa Rangitira Manawhenua Ki Te Tau Ihu Trust
Te Atiawa Manawhenua Ki Te Tau Ihu Trust

APPOINTMENT OF COUNCILLORS AND STAFF TO SUBSIDIARIES

MDC HOLDINGS LIMITED and MARLBOROUGH AIRPORT LTD

Mayor Alistair Sowman (Director)
Chair of Community & Financial Planning Committee - Clr Andrew Barker (Director)
Chief Executive – Andrew Besley (Director)

PORT MARLBOROUGH NZ LIMITED

Chief Executive – Andrew Besley (Director)

MARLBOROUGH REGIONAL FORESTRY

(Joint Committee of Marlborough District Council and Kaikoura District Council)

Clr Andrew Barker (Chairperson)
Mayor Alistair Sowman

SOUNDS PROPERTY HOLDINGS LIMITED

Interim Chief Executive – Andrew Besley

STAFF EMPLOYED

(FULL TIME EQUIVALENTS)

| | 30.6.07 | | 30.6.06 | |
|---|--------------|--------------|--------------|-------------|
| | Male | Female | Male | Female |
| General Management | | | | |
| Management and Support | 4 | 2 | 4 | 2 |
| Assets and Services | | | | |
| Development and Project Management | 5 | - | 6 | - |
| Engineering | 11 | 5 | 12 | 3 |
| Operations | 10.7 | 4 | 13 | 3 |
| Reserves and Amenities | 3.6 | 1 | 3.6 | 1 |
| Rivers and Land Drainage | 4 | - | 5 | - |
| Management and Support | 3 | 1 | 3 | 1 |
| Civil Defence/Emergency Management | 2 | - | 2 | - |
| Finance & Corporate Planning | | | | |
| Management and Support | 2 | 1 | 2 | - |
| Treasury | 4 | 5.6 | 4 | 5.5 |
| Regulatory | | | | |
| Animal and Plant Pests | 7 | - | 7 | - |
| Building Control | 11 | - | 11 | - |
| Environmental Health and Liquor | 1 | 1 | 1 | 1 |
| Environmental Unit | 9 | 8 | 7 | 4 |
| Harbour Functions | 2 | - | 2 | - |
| Resource Management Control | 10 | 10.6 | 8 | 7.6 |
| Management and Support | 4 | 17 | 4 | 16 |
| Support Services | | | | |
| Community Development Management | - | 1 | - | 1 |
| Democratic Services Management | 1 | 2 | 1 | 1.5 |
| Office Services | 0.5 | 8 | 0.5 | 8 |
| Contracts Management | 0.5 | - | 0.5 | - |
| Human Resources | - | 1 | - | 1 |
| Information Services | 7 | 7.6 | 7 | 9 |
| Customer Service Centres | 1 | 18.5 | 1 | 18.6 |
| Libraries | 4 | 9.3 | 5 | 8.3 |
| Totals | 107.3 | 103.6 | 109.6 | 91.5 |

INFRASTRUCTURAL ASSETS

| | 30.6.07 | | 30.6.06 | |
|-----------------------------|--|----------------------|--|----------------------|
| Roads | | | | |
| | Urban | Length | Urban | Length |
| | Sealed | 178.8 km | Sealed | 175.2 km |
| | Metalled | 1.2 km | Metalled | 1.2 km |
| | Rural | Length | Rural | Length |
| | Sealed | 694.7 km | Sealed | 677.6 km |
| | Metalled | 665.2 km | Metalled | 669.4 km |
| | TOTAL | 1,539.9 km | TOTAL | 1,523.4 km |
| Bridges | | | | |
| | Number | Lineal Metres | Number | Lineal Metres |
| One lane bridges | 289 | 5,119 | 293 | 5,135 |
| Two lane bridges | 58 | 686 | 58 | 786 |
| Footbridges | 6 | 209 | 6 | 209 |
| TOTAL | 353 | 6,014 | 357 | 6,130 |
| Wharves | | | | |
| | 12 | | 12 | |
| Street Lighting | | | | |
| | 3,750 lights | | 3,720 lights | |
| Water Supply Schemes | | | | |
| | 7 schemes with 400.4 kms of reticulation | | 7 schemes with 386 kms of reticulation | |
| Sewerage Systems | | | | |
| | 5 schemes with 282 kms of reticulation | | 5 schemes with 265.7 kms of reticulation | |
| Stormwater System | | | | |
| | 142.2 kms of reticulation | | 135.6 kms of reticulation | |
| Irrigation Schemes | | | | |
| | 2 schemes with 64.7 kms of reticulation | | 2 schemes with 64.7 kms of reticulation | |

STATEMENT OF COMPLIANCE

Compliance

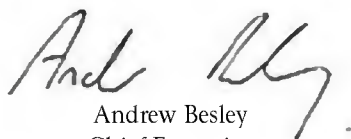
The Council and management of Marlborough District Council confirm that all the statutory requirements of the Local Government Act 2002 have been complied with.

Responsibility

The Council and management of Marlborough District Council accept responsibility for the preparation of the annual Financial Statements and the judgments used in them.

The Council and management of Marlborough District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of Marlborough District Council, the annual Financial Statements for the year ended 30 June 2007 fairly reflect the financial position and operations of the Marlborough District Council.



Andrew Besley
Chief Executive
30 October 2007



Alistair Sowman
Mayor
30 October 2007

AUDIT OFFICE REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

AUDIT REPORT TO THE READERS OF MARLBOROUGH DISTRICT COUNCIL AND GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2007

The Auditor-General is the auditor of Marlborough District Council (the District Council) and group. The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the District Council's compliance with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of the District Council and group for the year ended 30 June 2007, including the financial statements.

Unqualified opinion

In our opinion:

- The financial statements of the District Council and group on pages 15 to 80:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect :
 - the District Council and group's financial position as at 30 June 2007; and
 - the results of operations and cash flows for the year ended on that date.
- The service provision information of the District Council and group on pages 15 to 43 fairly reflects the levels of service provision as measured against the intended levels of service provision adopted, as well as the reasons for any significant variances, for the year ended on that date; and
- The Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (the "other requirements").

The audit was completed on 30 October 2007, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements, performance information and the other requirements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, performance information and the other requirements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements, performance information and the other requirements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;

- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, performance information and the other requirements.

We evaluated the overall adequacy of the presentation of information in the financial statements, performance information and the other requirements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the District Council and group as at 30 June 2007. They must also fairly reflect the results of operations and cash flows and the levels of service provision for the year ended on that date. The Council is also responsible for meeting the other requirements of Schedule 10 and including that information in the annual report. The Council's responsibilities arise from Section 98 and Schedule 10 of the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements, performance information and the other requirements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit we have no relationship with or interests in the District Council or any of its subsidiaries.



S M Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

REPORTING ON COMMUNITY OUTCOMES

The Long Term Council Community Plan identified the following community outcomes.

- **Environmental sustainability:** a community that sustains and enriches the environment for future generations.
- **Prosperity:** a prosperous community where all people have the means to earn adequate incomes and enjoy standards of living that allow them to participate fully in society, and to have choices about how to live their lives.
- **Knowledge and learning:** a community where knowledge and learning is prized.
- **Enterprise and endeavour:** a community where enterprise and endeavour is supported and rewarded.
- **Full participation:** a community that values and supports all its members, that welcomes visitors and new arrivals, and continually enhances full participation.
- **Positive aging:** a community where people can age positively, where older people are highly valued for their experience, wisdom and character, and where they are recognised as an integral part of families and communities.
- **Positive youth:** a community where young people are vibrant and optimistic, encouraged to take up challenges, and supported in their lifestyle choices.
- **Safety and security:** a community where people enjoy personal safety and security and are free from victimisation, abuse, violence and avoidable injury.
- **Energy efficiency:** a community where energy use is efficient, with a decreasing dependency on non-renewable sources.
- **Affordable housing:** a community where people have access to a range of affordable and quality housing options.
- **Health choices:** a community where people are served by a health infrastructure that is suited and responsive to their needs, and where they can make healthy choices for their own lifestyles.
- **Essential services:** a community that is served by a strong infrastructure of essential services, where daily life and business is able to be conducted safely and easily.
- **Heritage:** a community that acknowledges values and enjoys its heritage.
- **Fun and recreation:** a community that has fun.
- **Physical activity:** a community where people of all ages are physically active.
- **Creativity:** an enlivened and creative community in which different arts are widely practised and enjoyed.

Overall progress towards the Community Outcomes is made in the longer term, and reflects the achievements of the whole community. For the purposes of this report, which covers the first year of the LTCCP, no substantive information is yet available. A formal process for measurement of progress on community outcomes is being undertaken in conjunction with other councils and with community partners including the Nelson Marlborough District Health Board. The results of this will be reported in future reports.

A summary profile on the state of the Marlborough community has been compiled as an interim report. More information on the state of the Marlborough community can be found on the websites of many of Council's community partners.

The 2006 Census reported a usually resident population of 42,506. This represented an increase of 8% on the 2001 census. A key feature of the Marlborough community confirmed by the census was the continued trend of an aging population, with the median age increasing from 39 to 41, and a declining proportion of households with children. These movements present challenges to the community outcomes that relate to old people, and to the younger population.

The census also showed the importance of immigration to the Marlborough population, especially internal migration from other parts of New Zealand. An estimated 25% of Marlborough residents were either not born in 2001, or had moved to the district in that period. Another feature of the population is its increasing cultural diversity.

Population growth and change has a number of implications for social and cultural wellbeing. New people bring new ideas and perspectives, and invigorate the community. Increased population can also bring stresses on some institutions, and drive demand for some services ahead of the capacity to supply. The affordability of housing in the district has been a concern to many people, reflecting a national and even international trend.

Economically, Marlborough has enjoyed the benefits of a generally strong national economy, driven at a local level by the continued strength of the viticulture industry. As an exporting region, the high value of the New Zealand dollar through much of 2007 had a major impact on many businesses. The longer term viability of these businesses is inextricably linked to the wellbeing of the wider community.

Population growth, and the strong economy, has combined to place ongoing pressures on the district's natural resources. Land and water resources have been highly sought after. The district's natural resources are one of its most valuable assets, and careful attention continues to be given to ensuring they are managed in a sustainable manner.

COUNCIL ACTIVITIES

Council's activities are presented in 15 groups.

| Activity Group | Community outcomes that this group primarily contributes to: |
|--|---|
| Democratic Process | All the community outcomes are supported by this activity |
| Community Services | Health, Prosperity, Fun, Knowledge and Innovation, Safety and Security, Supportive communities, Youth, Positive Aging, Heritage, Housing. |
| Regional Development | Prosperity, Knowledge and Innovation. |
| Emergency Management | Infrastructure, Safety and Security. |
| Land Transport | Infrastructure, Health, Prosperity. |
| Rivers and Drainage | Infrastructure, Prosperity, Environment. |
| Wastewater (Sewerage) | Infrastructure, Health, Environment. |
| Stormwater | Infrastructure, Health. |
| Water Supply | Infrastructure, Health, Prosperity. |
| Waste Management | Infrastructure, Health, Energy, Environment. |
| Harbour Control | Environment, Infrastructure, Safety and Security, Prosperity, Fun. |
| Consent Processes, Licensing, and Compliance | Environment, Housing, Energy, Infrastructure, Prosperity. |
| Environmental Policy and Planning | Environment, Energy, Infrastructure, Prosperity. |
| Animal and Plant Pests (Biosecurity) | Environment, Prosperity, Health. |
| Animal Control | Health, Safety and Security. |

Council is required to report the results of any measurement undertaken during the year of progress towards the achievement of the community outcomes, and describe any identified effects that any activity has had on the social, economic, environmental, or cultural well-being of the community. Taking account of the costs of gathering robust information on how activities are affecting community outcomes, and the period over which genuine impacts can be observed, Council intends to make a substantive report on these matters as part of its three year reporting cycle. This report includes summary information on the progress and effects that Council believes to be currently evident.

Activity Group: DEMOCRATIC PROCESS

This activity group comprises a single activity; Democratic Process

Rationale for the delivery of this Group of Activities

The Democratic Process activity encompasses the planning and support for the meetings of Council and its committees, the provision of information regarding Council business, and the general oversight of the processes that underpin representative local government in Marlborough, including elections. Carrying out this activity enables Marlborough residents' and ratepayers' interests to be represented in a fair and equitable manner, and provides opportunities for the District's communities to participate in the decision-making processes that affect them.

This activity group contributes to the community outcome of full participation.

Progress towards Community Outcomes

A formal process for measurement of progress on community outcomes is being undertaken in conjunction with other councils and with community partners including the Nelson Marlborough District Health Board. Results will be included in future reports.

Marlborough District Council Committees, Statutory and Sub-Committees:

- Assets & Services
 - Regional Land Transport
- Community & Financial Planning
 - Elderly, Access & Mobility
 - Grants
 - Liquor Licensing
 - Sister City
- Environment
- Resource Hearings (2)
- SVIS Sub-Committee
- Civil Defence Emergency Management
- Maori Advisory Komiti

Identified effects on community well being

Local Body elections will be held in October 2007. At the time of writing of this report there is evident interest and awareness of the election process. This reflects a positive sense of the value of the democratic process and the importance of participation, which has a direct impact on social wellbeing.

| Level of Service | Indicator | Target |
|---|------------------------|--|
| <p>Provide an overall level of service that meets or exceeds residents' expectations.</p> <p>Undertake citizenship ceremonies and other civic duties.</p> <p>Foster the development of Maori capacity to contribute to decision-making.</p> <p>Manage 2007 election process in accordance with Local Electoral Act.</p> | Resident satisfaction. | <p>Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 6.8, where 10 = "service delivered extremely well").</p> <p>2007 resident satisfaction 7.0.</p> <p>Six citizenship ceremonies were undertaken in 2006/07.</p> <p>Support was provided to iwi treaty settlement process.</p> <p>At the time of reporting the process had been conducted in accordance with the Local Electoral Act.</p> |
| <p>Manage Council funds allocated to this activity prudently and effectively.</p> | Financial performance. | <p>This activity is delivered within the annually allocated budget (see financial forecasts below).</p> <p>Expenditure in excess of budget was approved by Council as carry over of 2005/06 budget.</p> |
| <p>Provide a service that is timely and responsive to residents' needs.</p> | Timeliness. | <p>Agendas and attachments are available to the public at least three working days prior to meetings.</p> <p>Agendas (including attachments) were completed and available at least three clear working days prior to the meeting (i.e. for a Thursday meeting the agenda was photocopied and posted to members on the Friday prior, and was available for viewing on that day).</p> <p>Council meetings are advertised in local media no less than five working days prior to meeting date.</p> <p>Council meetings were advertised in local media no less than five working days prior to the meeting date.</p> |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|-----------------------------|-------------------|-------------------|-------------------|--|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | |
| Democratic Process | 2,235 | 2,093 | 2,053 | Rates | 1,933 | 1,892 |
| | | | | Other Revenue | 1 | 2 |
| | | | | General Revenues Applied | 203 | 199 |
| | | | | Total Revenue | 2,137 | 2,093 |
| | | | | Operating Deficit funded from Reserves | 98 | - |
| | 2,235 | 2,093 | 2,053 | | 2,235 | 2,093 |
| CAPITAL WORKS | | | | FUNDED BY | | |
| Democratic Process | - | - | - | Transfers from Reserves | - | - |
| | - | - | - | | - | - |

Note 1: Explanation of Cost of Service Variances
- There are no significant variances.

Note 2: Significant Capital Expenditure
- There has been no significant capital expenditure.

Note 3: Significant Capital Expenditure Variances
- There are no significant variances.

Activity Group: PEOPLE

Activities in this Group

The activities in this group include:

- Culture and Heritage (including support for arts, and memorials and museums).
- Community Housing.
- Community Safety.
- Community Support.
- Library Services.

Rationale for the delivery of this Group of Activities

These activities encompass a range of services that require some degree of public intervention to ensure that social benefits are optimised. Reasons may include issues of inter-generational equity (where the benefits that future generations may enjoy have to be paid for by current generations), difficulties in capturing private benefits, and the presence of positive externalities (where the community at large also benefits from private benefits).

This activity group contributes to the community outcomes of full participation; positive aging; positive youth; safety and security; affordable housing; heritage, physical activity; creativity, and fun.

Progress towards Community Outcomes

A formal process for measurement of progress on community outcomes is being undertaken in conjunction with other councils and with community partners including the Marlborough District Health Board. Results will be included in future reports.

Identified effects on community well being

The activities in this group have been shown to have a consistently positive impact on social and cultural wellbeing.

Activity: Culture and Heritage

| Level of Service | Indicator | Target |
|--|---|---|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark. 2007 resident satisfaction 7.6. The 2005 benchmark was not measured. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). This activity was delivered within the annually allocated budget. |
| Manage third party providers to ensure service quality and value. | Annual reports on performance against service agreements. | Delivered on time. Achieved. Meet reporting requirements. Reporting requirements were achieved. All museums in receipt of Council funding have participated in training for assessment against the New Zealand Museums Standards scheme by June 30 2007. Museum staff participated in a range of workshops in preparation for Standards assessment. Some museums have also now completed assessment against selected modules. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|-----------------------------|-------------------|-------------------|-------------------|---|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | |
| Arts | 168 | 175 | 163 | Rates | 452 | 437 |
| Heritage | 276 | 280 | 176 | General Revenues Applied | 43 | 50 |
| Memorials | 62 | 67 | 64 | Other Revenues | 5 | - |
| | | | | Operating Deficit funded from Reserves | 6 | 35 |
| Total Operating Costs | 506 | 522 | 403 | | | |
| Operating Surplus | | | | | | |
| Transferred to Reserves | - | - | 81 | | | |
| | 506 | 522 | 484 | | 506 | 522 |
| | | | | | | 484 |
| CAPITAL WORKS | | | | FUNDED BY | | |
| Museums | 173 | - | 2 | Transfers from Reserves | 187 | - |
| Memorials | 14 | - | 3 | | | 5 |
| Total Capital Works | 187 | - | 5 | | 187 | - |
| | | | | | | 5 |

Note 1: Explanation of Cost of Service variances - There are no significant variances.
 Note 2: Significant Capital Expenditure - The museum capital works relates to capital improvements to the Renwick Museum.
 Note 3: Significant Capital Expenditure variances - The work carried out on the Renwick Museum was budgeted for in 2005/06 and is fully funded from reserves.

Activity: Community Housing

| Level of Service | Indicator | Target |
|--|-------------------------------|---|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 7.0, where 10 = "service delivered extremely well"). 2007 resident satisfaction 6.9. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). Expenditure in excess of budget was approved by Council. |
| Provide a community housing service that is sustainable. | Standard of asset management. | Undertake a maintenance and renewal programme service consistent with the terms of the Community Housing Asset Management Plan. Annual maintenance was completed as per the Asset Management Plan. Renewals were put on hold for 2006/07 awaiting funding approval from HNZA for an accelerated programme of renewals plus three new units. This is now programmed for 2007/08. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | |
| Community Housing | 844 | 796 | 795 | User Charges | 897 | 895 |
| Operating Surplus | | | | | | |
| Transferred to Reserves | 98 | 116 | 129 | Other Revenues | 45 | 29 |
| | 942 | 912 | 924 | | 942 | 924 |
| CAPITAL WORKS | | | | FUNDED BY | | |
| Community Housing | 155 | 120 | 86 | Transfers from | | |
| | | | | Depreciation Reserves | 190 | 86 |
| Total Capital Works | 155 | 120 | 86 | Transfers from Other Reserves | 55 | 90 |
| DEBT REPAYMENT | | | | | | |
| Community Housing | 90 | 90 | 90 | | | |
| Total Funding Required | 245 | 210 | 176 | | 245 | 176 |

Note 1: Explanation of Cost of Service variances - There are no significant variances.

Note 2: Significant Capital Expenditure - There has been no significant capital expenditure.

Note 3: Significant Capital Expenditure variances - There were no significant variances.

Activity: Community Safety

| Level of Service | Indicator | Target |
|--|---|--|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark. 2007 resident satisfaction 7.0. The 2005 benchmark was not measured. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget. (see financial forecasts below). Council allocates \$7,500 annually to the Safer Communities Marlborough department. In addition Council provides premises at no rental cost. Funds allocated are used to compliment the overall operations of the department with an emphasis on Street Safe Marlborough Community Crime Prevention Patrols and CPTED (Crime Prevention Through Environmental Design). Also within the department are Truancy Service Marlborough, Job Path Marlborough and Turnaround Marlborough. An annual report on the performance of the department is made to the council's Community and Finance Planning Committee as well as individual project reports as required by contracts with the respective funding ministries. Copies of all these reports are delivered to the Mayor and Community and Financial Planning Committee Chair. The Department operated within the budget allocated. |
| Manage third party providers to ensure service quality and value. | Annual reports on performance against service agreements. | Delivered on time. Meet reporting requirements. Overall trend of decline in CBD assault incidents. Council does not have any third party providers in this area – all services are delivered by council staff within the Safer Communities Marlborough Department. All agreements with respective ministries have been renewed based on compliant delivery with two significant funders opting for three year agreements based on previous performances. All services operated within the timeframes specified in the respective agreements and met the appropriate reporting timeframes. Violent offending in the CBD statistics from police follow: Offences reported violence: (calendar year) 2003 – 194; 2004 – 172; 2005 – 117; 2006 – 114. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|-------------------------------|-------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | | |
| Safer Communities | 197 | 301 | 259 | Rates | 75 | 74 | 95 |
| Security | 58 | 52 | 41 | General Revenues Applied | 9 | 9 | 12 |
| Total Operating Costs | 255 | 353 | 300 | Subsidies | 171 | 303 | 241 |
| Operating Surplus | | | | Other Revenue | 3 | - | - |
| Transferred to Reserves | 3 | 33 | 48 | | | | |
| | 258 | 386 | 348 | | 258 | 386 | 348 |
| CAPITAL WORKS | | | | FUNDED BY | | | |
| Security | - | - | 17 | Transfers from Reserves | 30 | 30 | 47 |
| Total Capital Works | - | - | 17 | | | | |
| DEBT REPAYMENT | | | | | | | |
| Security | 30 | 30 | 30 | | | | |
| Total Funding Required | 30 | 30 | 47 | | 30 | 30 | 47 |

Note 1: Explanation of Cost of Service variances - There are no significant variances.

Note 2: Significant Capital Expenditure - There has been no significant capital expenditure.

Note 3: Significant Capital Expenditure variances - There were no significant variances.

Activity: Community Support

| Level of Service | Indicator | Target |
|--|---|---|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark. 2007 resident satisfaction 7.4. The 2005 benchmark was not measured. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). Grants were allocated under set criteria and within established timeframes and budget. Processes are in place to ensure accountability for the grants allocated. |
| Manage third party providers to ensure service quality and value. | Annual reports on performance against service agreements. | Delivered on time. Achieved. Meet reporting requirements. Reports were provided that complied with the performance targets and timeframes as specified in the contract for service. Expand physical activity programme for early-childhood development from 2005 base (Jitterbug programme for pre-schoolers and Parents as First Coach programme). Physical activity programmes for early childhood development showed an increase in Jitterbug sessions; however the Parents as First Coach sessions were not continued on review and were replaced with other programmes that were showing positive trends in participation. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | |
|-----------------------------|-------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|------------|
| OPERATING COSTS | | | REVENUE | | | | |
| Grants and Donations | 574 | 604 | 275 | Rates | 591 | 580 | 625 |
| Recreation | 73 | 72 | 282 | General Revenues Applied | 66 | 65 | 12 |
| | | | | Other Revenue | 42 | - | - |
| Total Operating Costs | 647 | 676 | 557 | Total Revenue | 699 | 645 | 637 |
| Operating Surplus | | | | Operating Deficit | | | |
| Transferred to Reserves | 52 | - | 80 | Funded From Reserves | - | 31 | - |
| | 699 | 676 | 637 | | 699 | 676 | 637 |

Note 1: Explanation of Cost of Service variances - There are no significant variances.
Note 2: Significant Capital Expenditure - There has been no significant capital expenditure.
Note 3: Significant Capital Expenditure variances - There were no significant variances.

Activity: Library Services

| Level of Service | Indicator | Target |
|--|--|---|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 8.3, where 10 = "service delivered extremely well"). 2007 resident satisfaction 8.6. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. Average cost per issue of library resources. | This activity is delivered within the annually allocated budget. (see financial forecasts below). Expenditure in excess of budget was approved by Council being carry over of 2005/06 budget. < \$2. Average cost per issue of library resources 2005/2006 - \$1.93 per issue; 2006/2007 - \$2.05 per issue. |
| Provide a range of current resources that support the tastes, interests and reading levels of users. | Average age of library resources. | < 10 years. Achieved. Average age of library resources was 9.12 years. |
| Provide access for users independent of their location. | Uptake of information services available electronically. | Usage to be assessed and benchmarked. Uptake of information services is available electronically. There were 14,127 database searches; and 18,059 hits to the website. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|-----|
| OPERATING COSTS | | | REVENUE | | | | |
| Libraries | 1,240 | 1,193 | 1,157 | Rates | 1,005 | 983 | 933 |
| | | | | Other Revenue | 158 | 107 | 149 |
| | | | | General Revenues Applied | 105 | 103 | 104 |
| Operating Surplus | | | | | | | |
| Transferred to Reserves | 28 | - | 29 | | | | |
| | 1,268 | 1,193 | 1,186 | | 1,268 | 1,186 | |
| CAPITAL WORKS | | | FUNDED BY | | | | |
| Libraries | 226 | 274 | 191 | Transfers from | | | |
| | | | | Depreciation Reserves | 214 | 223 | 191 |
| | | | | Transfers from Other Reserves | 12 | 51 | - |
| Total Capital Works | 226 | 274 | 191 | | 226 | 191 | |

Note 1: Explanation of Cost of Service variances - There are no significant variances.
Note 2: Significant Capital Expenditure - There has been no significant capital expenditure.
Note 3: Significant Capital Expenditure variances - There were no significant variances.

Activity Group: EMERGENCY MANAGEMENT

This activity group comprises a single activity; Emergency Management.

Rationale for the delivery of this Group of Activities

The Civil Defence and Emergency Management Act 2002 imposes statutory obligations on Council to carry out hazard-based risk management in four areas: reduction of risk, readiness for events, response, and recovery after an event. The Act requires an "all hazards" approach – this includes earthquakes, floods, tsunami, oil spills, hazardous substances, and landslips, to name a few.

The Council is also a Rural Fire Authority under the Forest and Rural Fires Act 1977. It must meet requirements for the prevention, detection, and suppression of rural fires, and must comply with the Rural Fire Management Code of Practice for equipment standards and competency requirements for fire fighting personnel.

This activity group contributes to the community outcome of safety and security.

Progress towards Community Outcomes

A formal process for measurement of progress on community outcomes is being undertaken in conjunction with other councils and with community partners including the Marlborough District Health Board. Results will be included in future reports.

Identified effects on community well being

Conducting exercises, responding to events, and maintaining a level of preparedness for emergency events has helped to maintain the community's confidence and sense of safety and security, directly contributing to a sense of social wellbeing.

| Level of Service | Indicator | Target |
|--|---|---|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark. 2007 resident satisfaction 7.5. The 2005 benchmark was not measured. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). Expenditure in excess of budget was approved by Council as carry over of 2005/06 budget. |
| Ensure that the region is suitably prepared for all likely emergency events. | Performance against targets specified in the Civil Defence Emergency Management Group Plan. | Carry out a hazard study by 30 June 2007. Various hazard studies have been undertaken or are underway including: Council Regional Pest Management Strategy; Harbours Safety Management Plan; Reviews of dam safety; Review of Tsunami hazard and risk (MCDEM initiated). To have an exercise which tests aspects of the plan every two years. Three significant training exercises have been undertaken: 'Magill' and 'Cruickshank' (Pandemic); 'Pacific Wave' (Tsunami); Awatere faultline earthquake. Develop and implement a public information management media plan by June 2007. The public information management and media plan is being reviewed following the newly released Marlborough Civil Defence Emergency Management guidelines. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | | |
| Emergency Management | 619 | 625 | 495 | Rates | 563 | 556 | 494 |
| | | | | Subsidies and Grants | 16 | 13 | 26 |
| | | | | Other Revenue | 119 | 30 | 55 |
| Total Operating Costs | 619 | 625 | 495 | General Revenues Applied | 67 | 66 | 62 |
| Operating Surplus | | | | | | | |
| Transferred to Reserves | 146 | 40 | 142 | | | | |
| | 765 | 665 | 637 | Total Revenue | 765 | 665 | 637 |
| CAPITAL WORKS | | | | FUNDED BY | | | |
| Emergency Management | 17 | 27 | 35 | Transfers from | | | |
| | | | | Depreciation Reserves | 17 | 27 | 22 |
| | | | | Transfers from Other Reserves | - | - | 13 |
| Total Capital Works | 17 | 27 | 35 | | 17 | 27 | 35 |

Note 1: Explanation of Cost of Service variances - there are no significant Variances.

Note 2: Significant Capital Expenditure - there has been no significant capital expenditure.

Note 3: Significant Capital Expenditure variances - there were no significant variances.

Activity Group: LAND AND WATER SERVICES

Activities in this Group

The activities in this group include:

- Community facilities (including parks, reserves, swimming pools and cemeteries).
- Land Transport.
- Rivers and Land Drainage.
- Wastewater (Sewerage).
- Stormwater.
- Water Supply.
- Waste Management.

Rationale for the delivery of this Group of Activities

This group encompasses the delivery of a range of important public goods, with primary social benefits around public health and safety, and associated benefits of economic and environmental wellbeing. The activities all involve major capital assets, which require ongoing funding for the costs of maintenance and to meet changing demand. Public provision of these activities is presumed to be one of the most important roles of local government.

This activity group contributes to the community outcomes of essential services; environmental sustainability; prosperity; safety and security; healthy choices; and physical activity.

Progress towards Community Outcomes

A formal process for measurement of progress on community outcomes is being undertaken in conjunction with other councils and with community partners including the Marlborough District Health Board. Results will be included in future reports.

Identified effects on community well being

Continued economic growth and regional prosperity are attributable in large part to the effective delivery of activities in this group.

Activity: Community Facilities

| Level of Service | Indicator | Target |
|--|--|---|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 7.9, where 10 = "service delivered extremely well"). 2007 resident satisfaction 7.6. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget. (see financial forecasts below). Expenditure in excess of budget was approved by Council as carry over of 2005/06 budget. |
| Provide facilities that are safe for users. | Safety management standards and plans. | 100% compliance with NZ safety standards for playgrounds. There was 100% compliance with NZ safety standards for all playgrounds. Monthly monitoring and contractor audit reports ensured specified performance standards were maintained. Maintenance of a comprehensive emergency fire management plan for the Wither Hills Farm Park. Fire management plan is reviewed annually and used in conjunction with rural fire manager to make decisions on park management. |
| Provide a service that is timely and responsive to community feedback. | Response times. | To respond to urgent problems associated with reserves and amenities within 24 hours. Achieved. |
| Provide accessible facilities for sport and recreation. | Availability of services. | Regular sports grounds available for use on all weekend days (excepting closures due to weather). Achieved. Decision was made by particular sport code. Closure only attributed to field condition as result of weather. |
| Provide a sustainable level of service. | Standard of asset management. | Undertake a maintenance and renewal programme service consistent with the terms of the Reserves Asset Management Plan. Achieved. Repairs and Maintenance schedule adhered to. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | |
| Cemeteries | 371 | 328 | 361 | Rates | 3,404 | 3,342 |
| Halls | 366 | 261 | 181 | Subsidies and Grants | 10 | 13 |
| Public Conveniences | 450 | 469 | 419 | General Revenues Applied | 378 | 141 |
| Reserves | 2,706 | 2,563 | 2,375 | Other Revenue | 410 | 363 |
| Swimming Pools | 523 | 490 | 514 | Total Revenue | 4,202 | 3,859 |
| Total Operating Costs | 4,416 | 4,111 | 3,850 | Operating Deficit | | |
| Operating Surplus | | | | Funded from Reserves | 214 | 252 |
| Transferred to Reserves | - | - | - | | | |
| | 4,416 | 4,111 | 3,850 | | 4,416 | 4,111 |
| | | | | | | 3,850 |
| CAPITAL WORKS | | | | FUNDED BY | | |
| Cemeteries | 87 | 194 | 12 | Transfers from | | |
| Halls | 8 | 108 | - | Depreciation Reserves | 211 | 284 |
| Public Conveniences | 202 | 380 | - | Transfers from Other Reserves | 2,382 | 3,245 |
| Reserves | 2,511 | 3,301 | 912 | New Loans | 262 | 557 |
| Swimming Pools | - | 45 | 15 | | | |
| Total Capital Works | 2,808 | 4,028 | 939 | | | |
| DEBT REPAYMENT | | | | | | |
| Community Facilities | 47 | 58 | 39 | | | |
| Total Funding Required | 2,855 | 4,086 | 978 | | 2,855 | 4,086 |
| | | | | | | 978 |

Note 1: Explanation of Cost of Service variances - There are no significant variances.

Note 2: Significant Capital Expenditure - There has been significant capital expenditure carried out on Endeavour Park of approximately \$2 million. This work was fully funded from reserves.

Note 3: Significant Capital Expenditure variances - The deferral of the development of London Quay, Picton to 2007/2008 to complete concept design and consultation.

Activity: Land Transport

| Level of Service | Indicator | Target | | | | | | | | | | | | |
|--|--|--|-------|----------|-----------|-------|-------|----|----|----|-------|----|-----|----|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 6.3, where 10 = "service delivered extremely well"). 2007 resident satisfaction 6.1. | | | | | | | | | | | | |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget. (see financial forecasts below). This activity was delivered within the annually allocated budget. Expenditure in excess of budget was approved by Council as carry over of 2005/06 budget. | | | | | | | | | | | | |
| Provide a safe transport infrastructure. | Injury numbers. | Less than eight motor vehicle crashes per year involving injury where contributing factor is 'Road Conditions'. Analysis of road conditions being causative confirms that three state highway crashes and three local road crashes were attributable to road conditions; a total of six. | | | | | | | | | | | | |
| Provide a quality transport infrastructure. | Road surface. | Average road roughness standards for sealed roads of <110 for urban roads and < 95 for rural roads (a newly sealed road has an average roughness value of 50 – 70. A very rough gravel road will have a roughness value higher than 300). Rural and urban road roughness continues to show a downward trend. The average meets the target of 95 NAASRA (National Australian Association of State Roading Authorities) counts. <table border="1" data-bbox="742 1198 1431 1332"> <thead> <tr> <th></th> <th>Arterial</th> <th>Collector</th> <th>Local</th> </tr> </thead> <tbody> <tr> <td>Urban</td> <td>80</td> <td>93</td> <td>99</td> </tr> <tr> <td>Rural</td> <td>77</td> <td>101</td> <td>99</td> </tr> </tbody> </table> | | Arterial | Collector | Local | Urban | 80 | 93 | 99 | Rural | 77 | 101 | 99 |
| | Arterial | Collector | Local | | | | | | | | | | | |
| Urban | 80 | 93 | 99 | | | | | | | | | | | |
| Rural | 77 | 101 | 99 | | | | | | | | | | | |
| Provide a service that is timely and responsive to community needs. | Response times. Service availability. | Repair minor faults on footpaths within 20 working days of detection. Faults on footpaths continue to be managed within the 20 day timeframe. Maintain overall parking occupancy rates at not more than 85%. Parking efficiency - Off street – 99.82% in Queen Street (99% in 2004/2005). Kerbside sampling in Market Street shows 73% of vehicles had activated meters. | | | | | | | | | | | | |
| Provide a sustainable land transport infrastructure. | Standard of asset management. | Undertake a maintenance and renewal programme consistent with the terms of the Regional Land Transport Strategy and Land Transport Asset Management Plan. The maintenance and renewal programme has been fully met and is consistent with the Regional Land Transport Strategy and Asset Management Plan. | | | | | | | | | | | | |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|--|-------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | |
| Roads, Streets and Bridges | 13,539 | 13,150 | 12,775 | Rates | 7,619 | 7,515 |
| Parking | 835 | 836 | 763 | Subsidies and Grants | 4,760 | 5,456 |
| Total Operating Costs | 14,374 | 13,986 | 13,538 | Other Revenue | 3,522 | 2,105 |
| Operating Surplus | 2,461 | 2,011 | 2,866 | General Revenues Applied | 934 | 921 |
| | 16,835 | 15,997 | 16,404 | | 16,835 | 15,997 |
| | | | | | 16,404 | |
| CAPITAL WORKS | | | | FUNDED BY | | |
| Roads, Streets and Bridges | 7,661 | 7,352 | 7,587 | Transfers from | | |
| Parking | 245 | 4,259 | 8 | Depreciation Reserves | 5,817 | 5,762 |
| Total Capital Works | 7,906 | 11,611 | 7,595 | Transfers from Other Reserves | 2,307 | 2,087 |
| | | | | New Loans | - | 4,100 |
| | | | | Sinking fund Withdrawals | - | - |
| | | | | | | 697 |
| DEBT REPAYMENT | | | | | | |
| Roads, Streets and Bridges | 161 | 158 | 959 | | | |
| Parking | 57 | 180 | 57 | | | |
| Total Funding Required | 8,124 | 11,949 | 8,611 | | | |
| | | | | | 8,124 | 11,949 |
| | | | | | | 8,611 |
| <p><i>Note 1: Explanation of Cost of Service variances - The subsidy income was less than budget due to Transfund declining to approve regional projects for subsidy as submitted by Council. Other revenue has increased as a result of vested assets income.</i></p> <p><i>Note 2: Significant Capital Expenditure - Capital expenditure was in accordance with Asset Management Plan.</i></p> <p><i>Note 3: Significant Capital Expenditure variances - The reduction in roading capital expenditure caused by the non approval of regional projects is offset by the capitalisation of vested assets. The reduction in parking capital cost is caused by the reprogramming of the Parking Building expenditure to 2007/08.</i></p> | | | | | | |

Activity: Rivers and Land Drainage

| Level of Service | Indicator | Target |
|--|-------------------------------|---|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 7.3, where 10 = "service delivered extremely well"). 2007 resident satisfaction 7.0. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget. (see financial forecasts below). This activity was delivered within the annually allocated budget. |
| Provide a rivers and land drainage service that is timely and responsive. | Response times. | To respond to 95 % of complaints within: 1 hour if flood water is a threat to a dwelling. During the reporting period there were no incidents where houses were under threat from flood waters. 48 hours for other complaints. Achieved. Other complaints were responded to in a timely manner according to urgency. |
| Provide a reliable rivers and land drainage service. | System capacity. | A 100 year return period flood capacity provided for the Wairau floodplain floodways and main rivers. Monitoring is showing the standard for the lower Wairau has fallen below this due to sedimentation. Council is proposing actions to deal with it and has commenced design and public consultation prior to implementation. Drainage of land in the Rural Drainage Area provides for a maximum ponding period of three days in a 10 year rainfall event. No events exceeding this threshold occurred during the reporting period. |
| Provide a sustainable rivers and land drainage service. | Standard of asset management. | Undertake a maintenance and renewal programme service consistent with the terms of the Rivers and Drainage Asset Management Plan. Maintenance of Council's Rivers and Drainage assets was undertaken during the year. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | |
|--|-------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|--------------|
| OPERATING COSTS | | | | REVENUE | | | |
| Wairau Floodplain Rivers | 2,612 | 2,034 | 2,310 | Rates | 2,923 | 2,905 | 2,893 |
| Wairau Floodplain Drainage | 572 | 594 | 577 | Other Revenue | 2,975 | 1,777 | 1,923 |
| Rivers Outside Wairau | 102 | 123 | 144 | General Revenues Applied | 15 | 15 | 14 |
| Wairau River Leases | 176 | 201 | 170 | | | | |
| Total Operating Costs | 3,462 | 2,952 | 3,201 | | | | |
| Operating Surplus | 2,451 | 1,745 | 1,629 | | | | |
| | 5,913 | 4,697 | 4,830 | | 5,913 | 4,697 | 4,830 |
| CAPITAL WORKS | | | | FUNDED BY | | | |
| Wairau Floodplain Rivers | 390 | 455 | 183 | Transfers from | | | |
| Wairau Floodplain Drainage | 80 | 205 | 113 | Depreciation Reserves | 94 | 103 | 97 |
| Rivers outside Wairau | 29 | 20 | 41 | Transfers from Other Reserves | 405 | 577 | 240 |
| Total Capital Works | 499 | 680 | 337 | | 499 | 680 | 337 |
| <p>Note 1: Explanation of Cost of Service variances. Expenditure approved by Council for the Lower Wairau and costs associated with gravel extraction offset by increased revenue. Lease income from river control Council attributes to favourable other revenue.</p> <p>Note 2: Significant Capital Expenditure - There has been no significant capital expenditure.</p> <p>Note 3: Significant Capital Expenditure variances - There were no significant variances.</p> | | | | | | | |

Activity: Wastewater (Sewerage)

| Level of Service | Indicator | Target |
|--|-------------------------------------|---|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 8.2, where 10 = "service delivered extremely well"). 2007 resident satisfaction 7.2. During the period the Renwick sewerage scheme was commissioned and consultation regarding Blenheim and Picton sewerage upgrade have heightened awareness of the planned improvements and the cost. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). All sewer networks were operated within budget; over expenditure in Blenheim and Spring Creek were offset by under expenditure in the respective capital accounts. |
| Provide a level of service quality that minimises environmental risks. | Resource Management Act compliance. | Total flow is treated prior to discharge through outfall for dispersal to receiving water in accordance with the discharge consent. All discharges were operated in compliance with resource consent conditions. |
| Provide a reliable wastewater service. | System capacity and performance. | Wet weather flow in the entire system is within capacity design to assure 0 overflows from a 1 in 2 year storm. There were no sewer overflows as a result of a 1 in 2 year storm. That no more than 35 identified blockages occur for 100 km of sewer main per year (main pipeline blockages only). There were no sewer overflows as a result of a 1 in 2 year storm. The number of blockages per 100 km of sewer main was less than 35. |
| Provide a service that is timely and responsive to customer needs. | Response times. | To respond to 95 % of unplanned service interruptions or blockages within 2 hours. To restore toilet facilities to all customers affected by unplanned interruptions within six hours of notification. An analysis of a sample of job cards has shown the response times have been complied with. |
| Provide a sustainable wastewater service. | Standard of asset management. | Undertake a maintenance and renewal programme service consistent with the terms of the Wastewater Asset Management Plan. The levels of service and maintenance requirements set out in the Asset Management Plan have been met during 2006/07. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|--|-------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | | |
| Blenheim | 3,479 | 3,603 | 3,414 | Rates | 4,492 | 4,300 | 4,277 |
| Picton | 819 | 828 | 712 | Subsidies and grants | 557 | - | 2,701 |
| Havelock | 104 | 125 | 101 | Other Revenue | 2,198 | 1,084 | 1,769 |
| Renwick | 721 | 76 | 34 | | | | |
| Seddon | 63 | 65 | 54 | | | | |
| Spring Creek | 68 | 56 | 54 | | | | |
| Other | 9 | 15 | - | | | | |
| Total Operating Costs | 5,263 | 4,768 | 4,369 | | | | |
| Operating Surplus | 1,984 | 616 | 4,378 | | | | |
| | 7,247 | 5,384 | 8,747 | Total Revenue | 7,247 | 5,384 | 8,747 |
| CAPITAL WORKS | | | | FUNDED BY | | | |
| Blenheim | 4,299 | 6,092 | 3,904 | Transfers from | | | |
| Picton | 494 | 302 | 328 | Depreciation Reserves | 1,115 | 963 | 796 |
| Havelock | 70 | 152 | 35 | Transfers from Other Reserves | 2,339 | 878 | 4,914 |
| Renwick | 151 | - | 3 | New Loans | 2,200 | 5,781 | 2,849 |
| Seddon | 66 | 21 | 3,830 | | | | |
| Spring Creek | 8 | 39 | 1 | | | | |
| Other | - | 340 | 5 | | | | |
| Total Capital Works | 5,088 | 6,946 | 8,106 | | | | |
| DEBT REPAYMENT | | | | | | | |
| Blenheim | 465 | 609 | 399 | | | | |
| Picton | 31 | 29 | 31 | | | | |
| Havelock | 4 | 8 | 4 | | | | |
| Renwick | 62 | 14 | 13 | | | | |
| Seddon | 3 | 2 | 5 | | | | |
| Spring Creek | 1 | 2 | 1 | | | | |
| Other | - | 12 | - | | | | |
| Total Funding Required | 5,654 | 7,622 | 8,559 | | 5,654 | 7,622 | 8,559 |
| <p><i>Note 1: Explanation of Cost of Service variances. Renwick expenditure related to connection subsidies provided to customers funded by receipt of central government subsidy. Other revenue favourable due to subdivision with recognition of vested assets and income from development levies.</i></p> <p><i>Note 2: Significant Capital Expenditure - Pipeline expenditure and pump station upgrade to cater for future growth. In addition significant expenditure for Blenheim sewer treatment per ongoing upgrade programme.</i></p> <p><i>Note 3: Significant Capital Expenditure variances – The reduction in capital expenditure relates to treatment plant, oxidation pond and pipeline costs reprogrammed to 2007/08.</i></p> | | | | | | | |

Activity: Stormwater

| Level of Service | Indicator | Target |
|--|-------------------------------------|---|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 7.2, where 10 = "service delivered extremely well"). 2007 resident satisfaction 6.7. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). This activity was delivered within the annually allocated budget. |
| Minimise the environmental risks of stormwater discharge. | Resource Management Act compliance. | Stormwater discharges will meet the relevant policy objectives outlined in the Proposed Wairau/Awatere Resource Management Plan and the Marlborough Sounds Resource Management Plan. Achieved. A strategic approach regarding plan compliance has been developed in relation to stormwater discharge. |

Activity: Stormwater (continued)

| Level of Service | Indicator | Target |
|--|----------------------------------|--|
| Provide a reliable stormwater service. | System capacity and performance. | <p>Stormwater system capacity provides 98 % compliance² with following targets:</p> <ul style="list-style-type: none"> No surface flooding with a 5 year return period causing nuisance to property, roads and public open space. No surface flooding with a 10 years return period causing nuisance to important recreational fields and roads without alternative access. No flooding with a 50 year return period floods residential property, commercial and industrial buildings. No flooding with a 100 year return period floods major communal facilities related to supply of electricity and telephone, water and sewage disposal. No more than 1 blockage per 15 km of stormwater main per year. <p>The following is a summary of 1 in 5 year rainfall events for urban areas in 2006/07.</p> <p>Blenheim A 1 in 5 year (30 min duration) rainfall equals 10.7 mm. One event exceeded this on 2 May 2007 (12.0 mm). No stormwater failures were reported during this event.</p> <p>Picton A 1 in 5 (30 min duration) rainfall equals 14.8 mm. No events exceeded the threshold. Due to the lack of events the threshold for blockages was achieved as no effective measurement undertaken.</p> |
| Provide a service that is timely and responsive to customer needs. | Response times. | <p>To respond to 95% of complaints within:</p> <p>1 hour if flood water is a threat to a dwelling.</p> <p>48 hours for other complaints.</p> <p>Achieved. Analysis of a sample of job cards show this level of service has been met.</p> |
| Provide a stormwater service that is sustainable. | Standard of asset management. | <p>Undertake a maintenance and renewal programme service consistent with the terms of the Stormwater Asset Management Plan.</p> <p>The levels of service and maintenance requirements set out in the Asset Management Plan have been met for 2006/2007.</p> |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | |
| Blenheim | 715 | 697 | 703 | Rates | 972 | 958 |
| Picton | 267 | 184 | 205 | Other Revenue | 649 | 358 |
| Other Schemes | 136 | 121 | 86 | General Revenues Applied | 119 | 117 |
| Total Operating Costs | 1,118 | 1,002 | 994 | | | |
| Operating Surplus | 622 | 431 | 1,097 | | | |
| | 1,740 | 1,433 | 2,091 | | 1,740 | 1,433 |
| CAPITAL WORKS | | | | FUNDED BY | | |
| Blenheim | 670 | 450 | 1,124 | Transfers from | | |
| Picton | 374 | 75 | 579 | Depreciation Reserves | 167 | 289 |
| Other Schemes | 230 | 99 | 427 | Transfers from Other Reserves | 821 | 418 |
| Total Capital Works | 1,274 | 624 | 2,130 | New Loans | 420 | 60 |
| DEBT REPAYMENT | | | | | | |
| Blenheim | 88 | 98 | 88 | | | |
| Picton | 31 | 31 | 23 | | | |
| Other Schemes | 15 | 14 | 11 | | | |
| Total Funding Required | 1,408 | 767 | 2,252 | | 1,408 | 767 |

Note 1: Explanation of Cost of Service variances - No significant variances.

Note 2: Significant Capital Expenditure - There has been no significant capital expenditure.

Note 3: Significant Capital Expenditure variances - Capital expenditure in excess of budget is attributable to subdivision and stormwater works carried out in Renwick approved by Council.

Activity: Water Supply

| Level of Service | Indicator | Target |
|---|----------------------------------|--|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 7.9, where 10 = "service delivered extremely well"). 2007 resident satisfaction 6.9. Publicity regarding Drinking Water Standards and plans to make them mandatory has heightened public awareness of water quality. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). This activity was delivered within the annually allocated budget. |
| Provide a level of water quality that meets community needs and is appropriate to the degree of public health risk. | Drinking Water Standards. | 99 % compliance with E.coli criteria for Priority one (P1) bacteriological determinand of New Zealand Drinking Water Standards (2005). NB: further targets for water quality will be reviewed at such time as the status of the DWSNZ2005 is confirmed. There were E.coli transgressions in the Blenheim water supply, however, these were considered sampling faults not water contamination as subsequent confirmatory sampling found no further contamination. All water sampling results are entered in the Water Information NZ (WINZ) database. The Awatere water supply does not meet the requirements of the Drinking Water Standards for NZ. Consultation is currently being undertaken to ascertain the communities' expectations for future treatment. A 'boil water' notice is in place permanently for that supply. The Renwick water supply suffered from silt contamination necessitating the issue of a 'boil water' notice for 14 days. The notice was issued as a precaution because high levels of turbidity (siltation) can reduce the effectiveness of chlorination. |
| Provide a reliable water supply service. | System capacity and performance. | Meet all peak demands of at least: <ul style="list-style-type: none"> Per property: 4m³/day. For commercial and industrial zones where the section size is greater than 800m² target is 4m³/day per 800m². For rural schemes an additional 50 l/ha/day for stock. Provide a minimum water pressure at new subdivisions of 300kPa. The water reticulation system shall be able to provide the following flow: <ul style="list-style-type: none"> Residential Zone: 25 l/s Commercial Zone: 50 l/s Industrial Zone: 100 l/s General fire conditions as per the New Zealand Fire Service Code of Practice (NZPAS 4509:2003). Peak summer day demands were met without water restrictions being necessary. All new subdivisions met the minimum pressure standard. Areas in Riversdale, Forest Park and Hospital Road east fell below 300kPa, during peak demand, but not 200kPa. The reservoir planned for construction in the next 18 months will improve the Forest Park and Hospital Road areas while new 'link' water mains to be installed this year will lift pressures in Riversdale. |
| Provide a service that is timely and responsive to customer needs. | Response times. | Respond to 95% of service interruptions within: <ul style="list-style-type: none"> 30 minutes for major loss of supply creating a situation causing or likely to cause damage to persons or property. 60 minutes for substantial leaks not falling into priority one. Restore supplies to all customers affected by an interruption within 8 hours of notification. Analysis of a sample of job cards show that the levels of service were met. |

Activity: Water Supply (continued)

| Level of Service | Indicator | Target |
|-------------------------------------|-------------------------------|---|
| Provide a sustainable water supply. | Standard of asset management. | Undertake a maintenance and renewal programme service consistent with the terms of the Water Supply Asset Management Plan. The levels of service and maintenance requirements as detailed in the Asset Management Plan were met during 2006/07. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | | |
| Blenheim | 2,181 | 2,409 | 2,224 | Rates | 6,398 | 6,404 | 5,937 |
| Picton | 850 | 1,037 | 858 | Other Revenue | 941 | 1,090 | 1,118 |
| Renwick | 225 | 265 | 208 | | | | |
| Havelock | 143 | 132 | 126 | | | | |
| Awatere | 448 | 384 | 444 | | | | |
| Riverlands | 238 | 245 | 256 | | | | |
| Wairau Valley | 21 | 26 | 26 | | | | |
| Southern Valleys | 1,655 | 1,756 | 1,651 | | | | |
| Total Operating Costs | 5,761 | 6,254 | 5,793 | | | | |
| Operating Surplus | 1,578 | 1,240 | 1,262 | | | | |
| | 7,339 | 7,494 | 7,055 | Total Revenue | 7,339 | 7,494 | 7,055 |
| CAPITAL WORKS | | | | FUNDED BY | | | |
| Blenheim | 2,149 | 6,153 | 879 | Transfers from | | | |
| Picton | 844 | 3,741 | 1,347 | Depreciation Reserves | 1,924 | 1,334 | 1,002 |
| Renwick | 85 | 93 | 6 | Transfers from Other Reserves | 2,459 | 2,151 | 1,666 |
| Havelock | 124 | 64 | 8 | New Loans | 13,668 | 8,873 | 400 |
| Awatere | 516 | 732 | 77 | Sinking Fund Withdrawals | 1,232 | - | - |
| Riverlands | 22 | 599 | 44 | | | | |
| Wairau Valley | 17 | - | - | | | | |
| Southern Valleys | - | 25 | 11 | | | | |
| Total Capital Works | 3,757 | 11,407 | 2,372 | | | | |
| DEBT REPAYMENT | | | | | | | |
| Blenheim | 145 | 299 | 145 | | | | |
| Picton | 59 | 145 | 49 | | | | |
| Renwick | 7 | 10 | 17 | | | | |
| Havelock | 13 | 16 | 13 | | | | |
| Awatere | 2 | 6 | - | | | | |
| Riverlands | 24 | 27 | 24 | | | | |
| Southern Valleys | 15,276 | 448 | 448 | | | | |
| Total Funding Required | 19,283 | 12,358 | 3,068 | | 19,283 | 12,358 | 3,068 |

Note 1: Explanation of Cost of Service variances - during 2006/07 the Southern Valley Water Supply loans were renewed. The repayment was fully funded from the sinking fund reserve and the renewal loan.

Note 2: Significant Capital Expenditure - New pipeline to cater for growth in Blenheim. New intake gallery for Awatere Scheme.

Note 3: Significant Capital Expenditure variances - The reduction in capital resulted from a reprogramming of the Blenheim and Picton reservoir and associated pipeline costs to 2007/08.

Activity: Waste Management

| Level of Service | Indicator | Target |
|--|--|---|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 7.1, where 10 = "service delivered extremely well"). 2007 resident satisfaction 6.7. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). This activity was delivered within the annually allocated budget. |
| Reduce environmental and public health risks of waste. | Landfill composition. Resource Management Act compliance. | Decreasing proportion of organic wastes in landfill (from 2003 base). Decreasing proportion of plastics in landfill (from 2003 base). Provide hazardous waste collection facilities at all transfer stations. 100% compliance with resource consent conditions for landfill sites. Solid Waste Analysis Protocol (SWAP) studies show a decline in plastics, paper, glass and ferrous products going to landfill. Trends show greenwaste diversion increasing. Hazardous waste drop off facilities are provided at all transfer stations. |
| Provide a sustainable waste management service. | Standard of asset management. | Manage waste management assets consistent with the terms of the Marlborough Waste Strategy and Plan. Waste assets were managed as set out in the terms of the Marlborough Waste Strategy and Plan. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|--------------------------------|-------------------|-------------------|-------------------|---|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | |
| Landfill and Transfer Stations | 2,799 | 2,724 | 2,604 | Rates | 1,749 | 1,702 |
| Refuse Collection | 870 | 885 | 873 | Subsidies and grants | - | 3 |
| | 3,669 | 3,609 | 3,477 | Other Revenue | 1,977 | 1,553 |
| | | | | General Revenues Applied | 96 | 103 |
| Operating Surplus | | | | Total Revenue | 3,822 | 3,350 |
| Transferred to Reserves | 153 | - | - | Operating Deficit funded from Reserves | - | 127 |
| Total Operating Costs | 3,822 | 3,609 | 3,477 | | 3,822 | 3,477 |
| CAPITAL WORKS | | | | FUNDED BY | | |
| Landfill and Transfer Stations | 262 | 1,717 | 283 | Transfers from Depreciation Reserves | 492 | 488 |
| Total Capital Works | 262 | 1,717 | 283 | Transfers from Other Reserves | (218) | (269) |
| | | | | New Loans | 210 | 280 |
| DEBT REPAYMENT | | | | | | |
| Landfill and Transfer Stations | 222 | 282 | 216 | | | |
| | 484 | 1,999 | 499 | | 484 | 499 |

Note 1: Explanation of Cost of Service variances - There are no significant variances.

Note 2: Significant Capital Expenditure - There has been no significant capital expenditure.

Note 3: Significant Capital Expenditure variances - The reduction in capital is the result of reprogramming the Resource Centre capital works to 2007/08.

Activity Group: ENVIRONMENTAL POLICY AND INFORMATION

Activities in this Group

This Activity group comprises environmental policy and environmental science activities.

Rationale for the delivery of this Group of Activities

The Environment function of Council is carried out in terms of the requirements of the Resource Management Act 1991 (RMA).

This activity group contributes to the community outcomes of prosperity and environmental sustainability.

Maintenance, renewal and replacement of assets will be undertaken according to policies set out in relevant asset management plans. The costs of maintenance, renewal and replacement of assets will be met by utilising the optimal mix of funding instruments available, and according to the Council's revenue and financing policy.

Progress towards Community Outcomes

A formal process for measurement of progress on community outcomes is being undertaken in conjunction with other councils and with community partners including the Marlborough District Health Board. Results will be included in future reports.

Identified effects on community well being

Marlborough residents consistently cite the natural landscape as an important factor in their quality of life, and the district continues to enjoy strong migration, attracted by the quality of its natural resources. The activities in this group have assisted the sustainable use of the district's natural resources, with improvements in economic wellbeing being achieved in balance with protection of the environment.

| Level of Service | Indicator | Target |
|--|-------------------------|--|
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). Expenditure in excess of budget approved by Council as carry over of 2005/06 budget. |
| Provide environmental policy and planning services that support the sustainable management of Marlborough's natural resources. | Legislative compliance. | Planning and reporting performance consistent with applicable statutory standards and processes. Five variations to the Proposed Wairau/Awatere Resource Management Plan were notified in the last 12 months. All the variations were processed in accordance with the First Schedule of the RMA and the specified timeframes in that schedule. Two plan changes to the Marlborough Sounds Resource Management Plan were notified in the last 12 months. All notified plan changes met their statutory timeframes. 30 appeals to the Proposed Wairau/Awatere Resource Management Plan were resolved. |
| Gather information and report on the state of Marlborough's natural resources. | Monitoring regimes. | Routine monitoring undertaken in accordance with applicable formalised strategies. Monitoring was undertaken in relation to the following monitoring programmes: Groundwater quality, groundwater quantity, freshwater quality, bathing water quality, air quality, significant nature areas and the hydrological network. Results of monitoring and investigations reported through the Environment Committee. Reports on investigations and findings reported to the Environment Committee on a six weekly basis. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|--|-------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | | |
| Environment Policy | 1,783 | 1,653 | 1,723 | Rates | 2,736 | 2,699 | 2,627 |
| Environment Monitoring | 1,622 | 1,496 | 1,694 | Subsidies and Grants | - | - | 25 |
| | | | | Other Revenue | 68 | - | 48 |
| | | | | General Revenues Applied | 329 | 325 | 335 |
| | | | | Operating Deficit | | | |
| | | | | Funded from Reserves | 272 | 125 | 382 |
| Total Operating Costs | 3,405 | 3,149 | 3,417 | | 3,405 | 3,149 | 3,417 |
| CAPITAL WORKS | | | | FUNDED BY | | | |
| Environment Monitoring | 68 | 49 | 77 | Transfers from | | | |
| | | | | Depreciation Reserves | 21 | 25 | 48 |
| | | | | Transfers from Other Reserves | 47 | 24 | 29 |
| Total Capital Works | 68 | 49 | 77 | | 68 | 49 | 77 |
| <p><i>Note 1: Explanation of Cost of Service variances - There are no significant variances.</i></p> <p><i>Note 2: Significant Capital Expenditure - There has been no significant capital expenditure.</i></p> <p><i>Note 3: Significant Capital Expenditure variances - There were no significant variances.</i></p> | | | | | | | |

Activity Group: REGIONAL DEVELOPMENT

Activities in this Group

The activities in this group include:

- Regional Development
- Tourism Marketing
- Events and Conferences
- Research

Rationale for the delivery of this Group of Activities

Council's decisions and actions can significantly assist the development of the regional economy by encouraging local business initiatives, attracting new investments, and by presenting Marlborough as a competitive tourist destination. As a provider of infrastructure, as a regulator of many business activities, and as an institution for democratic decision-making, Council is both a facilitator and encourager of development in the region. For the bulk of this activity Council is primarily a purchaser of regional development services.

This activity group contributes to the community outcomes of prosperity and full participation.

Progress towards Community Outcomes

A formal process for measurement of progress on community outcomes is being undertaken in conjunction with other councils and with community partners including the Marlborough District Health Board. Results will be included in future reports.

Identified effects on community well being

Marlborough's social, economic, cultural and environmental wellbeing have all been assisted by the various activities undertaken by the Marlborough Regional Development Trust, Destination Marlborough, the Marlborough Festival and Events Trust, and the Marlborough Research Centre. Economic indicators, and community feedback, reflect positive movements in all these dimensions.

Activity: Regional Development

| Level of Service | Indicator | Target |
|---|---|---|
| Provide an overall level of customer satisfaction that meets or exceeds residents' expectations of this activity. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark. 2007 resident satisfaction 6.2. The 2005 benchmark was not measured. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). This activity was delivered within the annually allocated budget. |
| Manage third party providers to ensure service quality and value. | Annual reports on performance against service agreements. | Delivered on time. Achieved. Meet reporting requirements. Reporting requirements achieved. Unemployment rates equal to or less than national trends. Average annual unemployment rate year to March 2007 2.7% (NZ: 3.7%) (Work and Income NZ). Inter-census change in average household income equal or better than national trend. Median household income increased by 35% (NZ : 13%) (Average figure not available at time of reporting) (Statistics NZ). |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|-------------------------------|-------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | |
| Events Management | 167 | 165 | - | Rates | 817 | 805 |
| Marketing and Tourism | 423 | 437 | 413 | General Revenues Applied | 85 | 84 |
| Other Development Projects | - | - | 350 | Operating Deficit | | |
| Regional Development | 214 | 213 | 235 | Funded from Reserves | 38 | 50 |
| Research Centre | 136 | 124 | 136 | | | 479 |
| Total Operating Costs | 940 | 939 | 1,134 | | 940 | 1,134 |
| CAPITAL WORKS | | | | FUNDED BY | | |
| Convention Centre Development | 2,180 | 3,000 | - | Transfers from Reserves | 2,180 | 3,000 |
| Total Capital Works | 2,180 | 3,000 | - | | 2,180 | 3,000 |

Note 1: Explanation of Cost of Service variances - There are no significant variances.

Note 2: Significant Capital Expenditure variances - The reduction in capital is the result of reprogramming part of the Convention Centre expenditure to 2007/08.

Activity: Tourism Marketing

| Level of Service | Indicator | Target |
|---|---|---|
| Provide an overall level of customer satisfaction that meets or exceeds residents' expectations of this activity. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark. 2007 resident satisfaction 6.9. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). This activity was delivered within the annually allocated budget. |
| Manage third party providers to ensure service quality and value. | Annual reports on performance against service agreements. | Delivered on time. Achieved. Meet reporting requirements. Reporting requirements achieved. % change in visitor nights equal or better than national trends. Guest nights for year ended April 2007 increased by 7.9% (NZ: 2.5%). (Source Statistics NZ Commercial Accommodation Monitor). |

Activity: Events and Conferences

| Level of Service | Indicator | Target |
|---|---|--|
| Provide an overall level of customer satisfaction that meets or exceeds residents' expectations of this activity. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark. 2007 resident satisfaction 7.4. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). This activity was delivered within the annually allocated budget. |
| Manage third party providers to ensure service quality and value. | Annual reports on performance against service agreements. | Delivered on time. Achieved. Meet reporting requirements. Reporting requirements were achieved. Participation numbers at Blenheim New Year celebration equal or better than 2005 benchmark (est 5,000). Participation numbers at New Year event were less than 2005, due to inclement weather. |

Activity: Research

| Level of Service | Indicator | Target |
|---|---|---|
| Provide an overall level of customer satisfaction that meets or exceeds residents' expectations of this activity. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark. 2007 resident satisfaction 6.9. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). Achieved. |
| Manage third party providers to ensure service quality and value. | Annual reports on performance against service agreements. | Delivered on time. Achieved. Meet reporting requirements. Reporting requirements were achieved. Published Research equal or better than 2005 benchmark (13 refereed papers). Data not available at time of reporting. |

Activity Group: REGULATORY

Activities in this Group

The activities in this group include:

- Consents and Compliance
- Animal and Plant Pests (Biosecurity)
- Harbour Control
- Animal Control

Rationale for the delivery of this Group of Activities

Council is charged with a number of statutory responsibilities administered on behalf of the Crown. As a unitary authority, Council is responsible for both regional and district functions. It has obligations, and powers under various Acts of Parliament, notably the Resource Management Act 1991, the Building Act 2004, the sale of Liquor Act 1989, the Hazardous Substances and New Organisms Act 1996, the Health Act 1956, and the Local Government Act 2002. This group of activities comprises the formulation of policies and regulations that are consistent with the requirements of relevant legislation and appropriate to the particular circumstances of Marlborough, the issuing of consents and application of regulatory powers, and the monitoring of compliance with consents and regulations.

This activity group contributes to the community outcomes of Prosperity; Environmental sustainability; healthy choices; Essential services; and Safety and security

Progress towards Community Outcomes

A formal process for measurement of progress on community outcomes is being undertaken in conjunction with other councils and with community partners including the Marlborough District Health Board. Results will be included in future reports.

Identified effects on community well being

The activities in this group have made positive contributions to the environmental and economic wellbeing of the community, for example through the continued control of animal and plant pests, and through the management of consent processes for land and water use.

Activity: Consents and Compliance

| Level of Service | Indicator | Target |
|---|---------------------------------------|---|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 6.5, where 10 = "service delivered extremely well"). 2007 resident satisfaction 6.1. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). This activity was delivered within the annually allocated budget approved by Council. Expenditure in excess of budget reflects demand for services and was offset by income for services provided. |
| Provide a consent processing service that is timely and responsive to customer needs. | Processing times. | Processing of all Building Consents within 20 working days. Total consents issued – 2,668 – up 249 from last year. 1,385 building consents were processed in 20 days or less and met the statutory targets. 1,283 (48%) did not meet targets. The increase in overall application numbers, and the increased assessment criteria and inspection requirements under the Building Act 2004, has made the task of meeting targets difficult. Processing of all Land Information Memoranda not to exceed 10 working days. Achieved. All 690 LIM applications were processed within 10 working days. Processing of 75% Project Information Memoranda are not to exceed 20 working days. 1,924 PIM applications were processed and 7 applications exceeded 20 working days. Compliance 99.63%. Continuous improvement in proportion of resource consent applications processed within statutory timeframes. 1,371 resource consent application decisions were issued. The compliance with statutory timeframes for the 2006/2007 year was 70.90%. The average for the 2005/2006 year was 62.46%. |
| Resource consent hearings are conducted with full care and consideration. | Qualifications of hearings personnel. | All hearings personnel comply with Ministry for the Environment accreditation requirements. All hearings personnel have the Ministry for the Environment accreditation. All independent hearings' commissioners are required to be accredited prior to being utilised by council. |
| Provide a service that minimises risks to public safety. | Inspection regimes. | Inspect a minimum of 15% of swimming pools annually. Of the 1,802 swimming pools on the register, 263 were inspected in 2006/2007 (14.6%). Carry out at least one inspection annually of all registered food premises. During the 2006/2007 period there were 271 high and low risk registered premises. A total of 358 inspections were undertaken, with all premises being inspected at least once during the year. Provide a service that minimises risks to public safety. Inspection regimes. Inspect a minimum of 15% of swimming pools annually. Of the 1,802 swimming pools on the register, 263 were inspected in 2006/2007 (14.6%). |

Activity: Consents and Compliance (continued)

| Level of Service | Indicator | Target |
|------------------|-----------|--|
| | | <p>Carry out at least one inspection annually of all registered food premises.</p> <p>During the 2006/2007 period there were 271 high and low risk registered premises. A total of 358 inspections were undertaken, with all premises being inspected at least once during the year.</p> <p>Carry out at least one inspection annually of all premises registered as hairdressers, camping grounds, offensive trades, funeral directors, and mobile shops to ensure compliance with health standards.</p> <p>During the 2006/2007 period there were 89 hairdressers, camping grounds, offensive trades, funeral directors and mobile shop registered premises. 45 of the premises were inspected once during the year.</p> <p>Respond to environmental health complaints of a critical nature within 1 working day.</p> <p>From 1 July 2006 to 30 June 2007 a total of 1,184 complaints were received by the Environmental Health section. Of those, 1,088 were noise complaints which were investigated by council's contractor. The remaining 107 were dealt with by staff. Three of those complaints were listed as critical and all were responded to within one working day of the complaint being notified.</p> |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|------------------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | | |
| Resource Consents | 2,592 | 1,647 | 2,057 | Rates | 2,052 | 2,023 | 2,036 |
| Legal Section | 539 | 344 | 414 | Other Revenue | 5,065 | 3,304 | 3,400 |
| PIMS and LIMS | 653 | 620 | 485 | General Revenues Applied | 249 | 245 | 260 |
| Compliance | 448 | 589 | 358 | | | | |
| Public Information | 57 | 187 | 52 | | | | |
| Building Control | 1,572 | 1,465 | 1,318 | | | | |
| Consent Hearings | 811 | 375 | 418 | | | | |
| Health and Liquor | 348 | 339 | 312 | | | | |
| | 7,020 | 5,566 | 5,414 | Total Revenue | 7,366 | 5,572 | 5,696 |
| Operating Surplus | 346 | 6 | 282 | | | | |
| Total Operating Costs | 7,366 | 5,572 | 5,696 | | 7,366 | 5,572 | 5,696 |
| CAPITAL WORKS | | | | FUNDED BY | | | |
| Resource Consents | - | 5 | - | Transfers from | | | |
| Building Control | 2 | 1 | - | Depreciation Reserves | 2 | 6 | 5 |
| Consent Hearings | | | | Transfers from Other Reserves | - | 2 | - |
| Health and Liquor | - | 2 | 5 | | | | |
| Total Capital Works | 2 | 8 | 5 | | 2 | 8 | 5 |

Note 1: Explanation of Cost of Service variances – Additional costs have been incurred as the result of increased demand in consent applications. These increased costs have been recovered by user charges.

Note 2: Significant Capital Expenditure – There has been no significant capital expenditure.

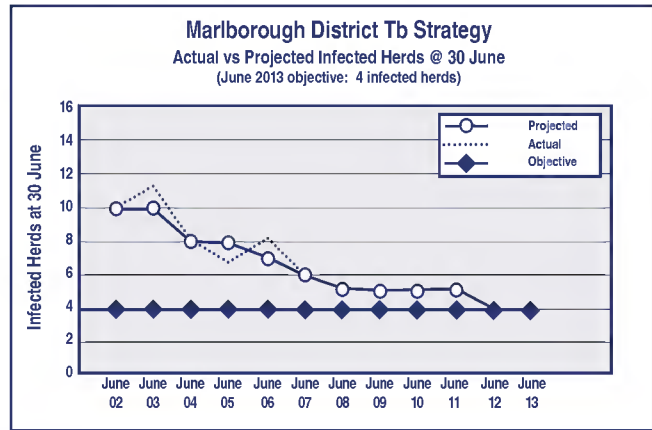
Note 3: Significant Capital Expenditure variances - There were no significant variances.

Activity: Animal and Plant Pests (Biosecurity)

| Level of Service | Indicator | Target | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---|----------|--------------------|----------|---------|--------|--------|---------|--------|--------|---------|-------|--------|---------|-------|--------|---------|-------|--------|---------|-------|--------|---------|-------|--------|---------|-------|--------|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 6.2 where 10 = "service delivered extremely well"). 2007 resident satisfaction 6.3. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). This activity was delivered within the annually allocated budget. (see financial forecasts below). | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Control the spread of animal and plant pests. | Distribution trends. | <p>Positive long-term (5yr +) trends in containment control plant pests. Surveillance inspections conducted during 2006/2007 resulted in 18 new properties being identified as being infested with a containment control plant pest. The increased number of properties detected with a containment plant pest (8 to 18 properties over the last two years) is a direct result of an intensified surveillance programme and the effect of existing risk properties being subdivided.</p> <p>Positive long-term (5yr +) trends of decline in total control pests. All known sites of total control pests were visited at least once during the year to instigate control measures.</p> <p>Trend monitoring of total control plant pest populations indicate a measured decline in the number of plants destroyed over an eight year period (refer following graph).</p> <div data-bbox="767 1064 1417 1500" data-label="Figure"> <table border="1"> <caption>Regional Pest Management Strategy: Total Control Plant Pests Performance Indicators (excluding Eel Grass)</caption> <thead> <tr> <th>Year</th> <th>Excludes Eel Grass</th> <th>Boneseed</th> </tr> </thead> <tbody> <tr> <td>1999/00</td> <td>24,000</td> <td>24,000</td> </tr> <tr> <td>2000/01</td> <td>18,000</td> <td>18,000</td> </tr> <tr> <td>2001/02</td> <td>8,000</td> <td>16,000</td> </tr> <tr> <td>2002/03</td> <td>2,000</td> <td>19,000</td> </tr> <tr> <td>2003/04</td> <td>2,000</td> <td>20,000</td> </tr> <tr> <td>2004/05</td> <td>2,000</td> <td>22,000</td> </tr> <tr> <td>2005/06</td> <td>2,000</td> <td>18,000</td> </tr> <tr> <td>2006/07</td> <td>3,000</td> <td>11,000</td> </tr> </tbody> </table> </div> | Year | Excludes Eel Grass | Boneseed | 1999/00 | 24,000 | 24,000 | 2000/01 | 18,000 | 18,000 | 2001/02 | 8,000 | 16,000 | 2002/03 | 2,000 | 19,000 | 2003/04 | 2,000 | 20,000 | 2004/05 | 2,000 | 22,000 | 2005/06 | 2,000 | 18,000 | 2006/07 | 3,000 | 11,000 |
| | Year | Excludes Eel Grass | Boneseed | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1999/00 | 24,000 | 24,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2000/01 | 18,000 | 18,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2001/02 | 8,000 | 16,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2002/03 | 2,000 | 19,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2003/04 | 2,000 | 20,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2004/05 | 2,000 | 22,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2005/06 | 2,000 | 18,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2006/07 | 3,000 | 11,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Inspection regimes. | <p>Inspect at least 75% of properties with containment pests that are issued with a control programme to ensure compliance.</p> <p>Containment Plant Pests: A total of 431 control programmes for containment control plant pests were issued to property occupiers during the year to 30 June 2007. 351 (81%) of properties issued with a control programme were inspected to ensure land occupier compliance.</p> <p>Containment Animal Pests: 40 properties were inspected to determine if rabbit populations existed above maximum allowable levels. The inspections resulted in the formalisation of five control programmes for four properties with August 2007 completion dates. A further six control programmes were issued to land occupiers with August 2008 completion dates.</p> <p>Compliance of these programmes is scheduled to occur during the 2007/2008 year.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Activity: Animal and Plant Pests (Biosecurity) (continued)

| Level of Service | Indicator | Target |
|--|----------------------|--|
| | Compliance. | 100% compliance where containment control pests exist and control is required under the Regional Pest Management Strategy. An escalation of non compliance resulted in the serving of 31 'Notices of Directions' to land occupiers whom continued to be in non compliance with strategy obligations, while a further two properties required a notice for 'Work on Default'. 100% of occupiers complied with the notice requirements. |
| Control the spread of bovine tuberculosis. | Distribution trends. | No feral animal related infected herds outside existing risk areas. No cattle or deer herds were recorded as infected with Bovine Tb from feral vectors in the designated vector free area as at 30 June 2007. Hold or decline in the number of feral animal infected herds in the existing risk areas. A total of six infected cattle and/or deer herds were recorded as at 30 June 2007. (A decline of two herds since June 2006 (refer following graph). |



| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|--------------------------|----------------|----------------|----------------|--|----------------|----------------|
| OPERATING COSTS | | | | REVENUE | | |
| Regional Pest Control | 757 | 645 | 653 | Rates | 870 | 860 |
| Bovine TB Control | 2,747 | 3,071 | 2,733 | Subsidies and Grants | 1,993 | 2,357 |
| Total Operating Costs | 3,504 | 3,716 | 3,386 | Other Revenue | 414 | 392 |
| Operating Surplus | - | - | - | General Revenues Applied | 108 | 107 |
| | 3,504 | 3,716 | 3,386 | Total Revenue | 3,385 | 3,716 |
| | | | | Operating Deficit funded from Reserves | 119 | - |
| | | | | | 3,504 | 3,716 |
| CAPITAL WORKS | | | | FUNDED BY | | |
| Regional Pest Control | 3 | - | - | Transfers from | | |
| Total Capital Works | 3 | - | - | Depreciation Reserves | 3 | - |
| | | | | | 3 | - |

Note 1: Explanation of Cost of Service variances.
 Note 2: Significant Capital Expenditure - There has been no significant capital expenditure.
 Note 3: Significant Capital Expenditure variances - There were no significant variances.

Activity: Harbour Control

| Level of Service | Indicator | Target |
|--|----------------------------|--|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 7.3, where 10 = "service delivered extremely well"). 2007 resident satisfaction 7.2. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). This activity was delivered within the annually allocated budget. |
| Provide a harbour control service that minimises the risks of damage, injury, or loss of life. | Compliance. | Implement random audits of marine farm areas to assess the level of compliance with lighting requirements. 114 marine farms inspected during the period. Complete compliance - 90 farms: 78.9% (78.6%); non-compliant - 24 farms: 21.1% (18.0%). Reports of non-compliance responded to and investigated, where appropriate, within five working days. A total of 123 incidents have been recorded in the incident database. There were no deaths or serious injury accidents recorded. Incidents are based on an incident severity rating 0-4. Within these categories incidents are broken down as follows: rating 0 = 123; 1 = 33; 2 = 4; 3 = 1; 4 = 0. Leading lights at Tory Channel to be inspected quarterly; remaining navigation aids to be inspected bi-annually. Leading lights and remaining aids to navigation inspected as required. |
| | Public awareness | Annually review and publish a "Safe Sounds" Boating Brochure. Brochure reviewed, published and distributed. |
| Provide a service that minimises environmental risks from oil spills. | Response times. | Evaluate reports of oil spills within one hour of notification. There were 15 reports of pollution received and investigated – all were minor. |
| | Preparedness. | Conduct marine oil spill response exercises in accordance with Maritime New Zealand's agreed programme. One equipment deployment exercise was undertaken. Participation in a tier 2/tier 3 exercise with the Nelson/Tasman region involved members of the response team at both a management and operator level. |
| Provide a sustainable harbour control service. | Risk management standards. | Continue the implementation of identified risk control measures as per the Risk Assessment/Safety Management System: <ul style="list-style-type: none"> Prepare Safety Management policies. Draughting of policies commenced. Prepare Safety Management Plan. Draft Plan sent to MNZ for evaluation. Implementation in accordance with the 2006/07 Harbour Annual Safety Plan was reported to council on 26 July 2007. Initiate review of Navigation Safety Bylaws in time for the 2007 statutory set timeline. Bylaw review required to be completed during 2007/08 year. Review yet to be commenced. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | |
|-----------------------------|-------------------|-------------------|-------------------|---|-------------------|-------------------|------------|
| OPERATING COSTS | | | REVENUE | | | | |
| Harbour Control | 726 | 1,976 | 754 | Rates | 396 | 391 | 369 |
| | | | | General Revenues Applied | 49 | 49 | 49 |
| | | | | Other Revenue | 183 | 1,537 | 288 |
| Total Operating Costs | 726 | 1,976 | 754 | Total Revenue | 628 | 1,977 | 706 |
| Operating Surplus | - | 1 | - | Operating Deficit funded from Reserves | 98 | - | 48 |
| | 726 | 1,977 | 754 | | 726 | 1,977 | 754 |
| CAPITAL WORKS | | | FUNDED BY | | | | |
| Harbour Control | 178 | 104 | 54 | Transfers from Depreciation Reserves | 99 | 70 | 38 |
| | | | | Transfers from Other Reserves | 79 | 34 | 16 |
| Total Capital Works | 178 | 104 | 54 | | 178 | 104 | 54 |

Note 1: Explanation of Cost of Service variances - The funding review for Harbour Control has been deferred awaiting a report for the delivery of harbour control in New Zealand and ways of funding it. The report is due at the end of 2007.

Note 2: Significant Capital Expenditure - There has been no significant capital expenditure.

Note 3: Significant Capital Expenditure variances - There were no significant variances.

Activity: Animal Control

| Level of Service | Indicator | Target |
|--|---|--|
| Provide an overall level of service that meets or exceeds residents' expectations. | Resident satisfaction. | Resident satisfaction with this service equal or better than 2005 benchmark (mean satisfaction score 6.8, where 10 = "service delivered extremely well"). 2007 resident satisfaction 7.1. |
| Manage Council funds allocated to this activity prudently and effectively. | Financial performance. | This activity is delivered within the annually allocated budget (see financial forecasts below). This activity was delivered within the annually allocated budget (see financial forecasts below). |
| All dog control costs are recovered through registration fees and fines. | Provide a level of animal control that is timely and responsive to community needs. | Response times. Attend to dog attacks and rushes which have just occurred within 1 hour. Attend to possible threats to public safety within 5 hours. Attend to complaints of general nuisance within 48 hours. Total number of animal related complaints received from 15 January 2007 was 712, as compared with 493 for the whole of the previous year. Attacks – 50 complaints of dog attacks have been investigated since 15 January 2007. Threats – 113 possible threats to public safety (defined as roaming and uncontrolled) were attended to from 15 January 2007. Other – 257 complaints of general nuisance were attended to from 15 January 2007. Response times to all complaints have been within acceptable/required timeframes from council's perspective given the complexities of resolving specific issues and in light of minimal complaints being received by council with regard to contract performance. |

| Cost of Services \$000's | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
|-----------------------------|-------------------|-------------------|-------------------|---|-------------------|-------------------|
| OPERATING COSTS | | | | REVENUE | | |
| Dog Control | 405 | 379 | 343 | Rates | 57 | 55 |
| Other Animal Control | 60 | 63 | 55 | User Charges | 390 | 428 |
| | 465 | 442 | 398 | General Revenues Applied | 7 | 7 |
| Operating Surplus | - | - | 92 | Operating Deficit funded from Reserves | 11 | - |
| | 465 | 442 | 490 | | 465 | 490 |
| CAPITAL WORKS | | | | FUNDED BY | | |
| Animal Control | - | - | 4 | Transfers from Reserves | - | 4 |
| Total Capital Works | - | - | 4 | | - | 4 |

Note 1: Explanation of Cost of Service variances - There are no significant variances.

Note 2: Significant Capital Expenditure - There has been no significant capital expenditure.

Note 3: Significant Capital Expenditure variances - There were no significant variances.

COUNCIL CONTROLLED ORGANISATION

MDC Holdings Limited

MDC Holdings is owned 100% by the Marlborough District Council. Council established MDC Holdings Limited for the purposes of separating the commercial trading activities of the Council from the other functions carried out by the Council; to provide the means for bringing the main trading enterprises of the Marlborough District Council together into one structure; and to obtain commercial borrowing facilities at the most attractive rates attainable. This is the primary objective of MDC Holdings.

Port Marlborough New Zealand Limited and Marlborough Airport Limited are subsidiaries of MDC Holdings Limited. While the Marlborough District Council owns 100% of the shares through MDC Holdings Limited, Port Marlborough operates as a separate commercial entity in a completely commercial manner.

Marlborough Airport Limited is responsible for the maintenance of the runways and taxiways used by civil aircraft as well as the provision of a terminal facility with associated minor freight handling.

Performance Targets

- Prepare and forward financial statements to Council in accordance with legislative requirements.
Achieved.
- Report annually to Council on the performance of the subsidiary trading enterprises.
Achieved.
- Report annually to Council on the level and rate of its borrowings.
Achieved.
- The long-term target ratio of shareholders' funds to total assets is 7.6%. This ratio will be reviewed annually.
Shareholders' funds to total assets as at 30 June 2007 was 22.26%.

STATEMENT OF ACCOUNTING POLICIES

1 REPORTING ENTITY AND STATUTORY BASE

Marlborough District Council (MDC) is a unitary authority as defined by the Local Government Act 2002 and qualifies as a Public Benefit Entity (PBE) under New Zealand equivalents to International Reporting Standards (NZIFRS) as its primary objective is to provide goods and services for the community or social benefit. These financial statements comprise the activities of the Marlborough District Council and the other entities in which the Council has a significant interest.

The group consists of:

- MDC Holdings Limited - MDC wholly owned.
- Port Marlborough NZ Limited - wholly owned by MDC Holdings Limited.
- Marlborough Airport Limited - wholly owned by MDC Holdings Limited.
- PMNZ Marina Holdings Limited – wholly owned by Port Marlborough New Zealand Limited
- Marlborough Sounds Maritime Pilots Limited – wholly owned by Port Marlborough New Zealand Limited
- Waikawa Marina Trustee Limited – wholly owned by Port Marlborough New Zealand Limited
- Sounds Property Holdings Limited – wholly owned by Port Marlborough New Zealand Limited
- Marlborough Regional Forestry (MRF) - Joint Committee (88.50% MDC owned). MRF is accounted for in these financial statements as an activity of Council.
- Housing for the Elderly Trust.
- Destination Marlborough Trust.
- Mayoral Drought Relief Trust.

2 STATEMENT OF COMPLIANCE, BASIS OF FINANCIAL STATEMENT PREPARATION AND MEASUREMENT BASE

The financial statements have been prepared in terms of Subpart 2 of Part 6 of the Local Government Act 2002 which includes the requirement to comply with generally accepted accounting practice.

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with the equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards applicable to PBEs. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets.

The general accounting principles recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis modified by the revaluation of certain assets have been followed.

These financial statements are expressed in New Zealand currency.

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

(a) *Landfill aftercare provision*

Note 15 discloses an analysis of the exposure of Council in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

(b) Infrastructure assets

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

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

Estimating any obsolescence or surplus capacity of the asset

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

(c) Investment Property

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

Experienced independent valuers perform the Council's infrastructural asset revaluations.

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

(d) Deferred Tax

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

(e) Employee Entitlement Provisions

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

(f) Contingent Liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below.

Basis of consolidation

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

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

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

The purchase method was used to prepare the consolidated financial statements with all like items added on a line by line basis. All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Investments in subsidiaries

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

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 committee, except to the extent that unrealised losses provide evidence of impairment of the asset.

Revenue recognition

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

Rates revenue is recognised by Council as being income on the due date of each instalment.

Water billing is recognised on an accrual basis.

Transfund roading subsidies (received in respect of maintaining the roading infrastructure) and other government grants/subsidies are recognised as revenue upon entitlement which is 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 managing of the Bovine TB programme. The Animal Health Board has contracted with Council to provide services in relation to Bovine TB control and reimburses Council for costs incurred.
- Contributions towards the upkeep of Returned Servicemen Association cemetery plots.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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

Leasing

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.

The Group as lessor

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 Group exercises its option to renew. The lessee does not have an option to purchase the property at expiry of the lease period.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group 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.

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

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 Group enters into forward contracts in accordance with the Group treasury policies (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

Borrowing costs

All borrowing costs are recognised in net profit or loss in the period in which they are incurred and are calculated using effective interest method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

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

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. 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 Group 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 Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

Property, Plant and Equipment, and Depreciation

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.

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 such that the carrying amount does not differ materially from that which would be determined using fair values at balance date and this is generally every three years.

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.

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 Statement of Financial Performance. Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the Statement of Financial Performance will be recognised first in the Statement of Financial Performance up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset. On disposal, the attributable revaluation surplus remaining in the revaluation reserve, net of any related deferred taxes, is transferred directly to Retained Earnings.

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 Port Marlborough these assets were valued by DTZ New Zealand Limited as at 30 June 2007.

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

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

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.

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.

Roads, bridges, wharves, street lighting, water, sewer, stormwater and river control and drainage assets were valued at depreciated replacement cost as at 1 July 2005. The valuation was performed by Council engineering staff directly associated with managing these assets. Independent reviews of these valuations were carried out by Opus International Consultants (roads, bridges, wharves and street lighting) and Alexander Hayward Limited (water, sewer, stormwater, river control and drainage and land under roads). In the case of land under roads, an average of adjacent 'undeveloped land value' has been applied.

Carparks were valued at depreciated replacement cost at 1 July 2005 by Marlborough Roads Limited. The valuation was peer reviewed by Opus International Consultants.

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

With the exception of Port Marlborough 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.

In the case of group companies these assets are stated at acquisition cost less accumulated depreciation.

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.

Cost 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 Group, 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 Statement of Financial Performance and disclosed in note 18.

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 Statement of Financial Performance.

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.

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

| MAJOR ASSET CLASS | LIFE | RATE |
|--|-----------------|--------------|
| Roads, Streets and Bridges | | |
| • 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% |
| Carparks | | |
| • 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% |
| Buildings (excluding properties intended for sale) | 100 years | 1% |
| Council Computers | 4 years | 25% |
| Council Finance 1 computer equipment | 5 years | 20% |
| Plant, equipment (excluding Council infrastructural assets) | 5 - 13.33 years | 7.69 - 20% |
| Mowers/chainsaws | 1 - 2 years | 50 - 100% |
| Sewerage | | |
| • Pipes | 80 - 100 years | 1 - 1.25% |
| • Pump stations | 20 - 100 years | 1 - 5% |
| • Oxidation ponds | | |
| Liner | Not depreciated | |
| Waveband | 75 years | 1.33% |
| • Treatment plant | 20 - 100 years | 1 - 5% |
| Stormwater | | |
| • Pipes | 80 - 100 years | 1 - 1.25% |
| • Pump stations | 20 - 100 years | 1 - 5% |
| Water | | |
| • Pipes | 50 - 100 years | 1 - 1.67% |
| • Reservoirs | 80 years | 1.25% |
| • Surface connections | 100 years | 1% |
| • Pumps | 10 years | 10% |
| • Pump stations | 20 - 60 years | 1.67 - 5% |
| • Treatment plant | 20 - 100 years | 1 - 5% |
| • Dams | 150 years | .667% |
| Rivers and Drainage | | |
| • Pump stations | 35 - 100 years | 1 - 2.86% |
| • Stopbanks/earthworks | Not depreciated | |
| • Rock and gabion protection | Not depreciated | |
| • Trees and tree retards | Not depreciated | |
| • Culverts and gates | Not depreciated | |
| • Channels | Not depreciated | |
| • Dam | 100 years | 1% |
| Library books | 13.33 years | 7.69% |

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

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 stated at its fair value at the balance sheet date and includes Port Marlborough's marinas, reclamation land and their supporting facilities.

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.

Biological assets

Biological 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.

Non-current assets held for sale

Non-current assets (or disposal groups) are 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.

Impairment

At each balance sheet date, the Group 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 Group 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 (cash-generating unit) is reduced to its recoverable amount.

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

For non-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 (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 (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.

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.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and 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.

Trade and other receivables

Trade receivables are measured at initial recognition 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.

Investments

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 Group 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.

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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables

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

Derivative financial instruments

The Group 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 Group 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.

Employee Entitlements

Provision is made in respect of the Group'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 (e.g., annual and sick leave) are measured as the additional amount of unused entitlement accumulated at the balance sheet date.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group 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 is estimated will be incurred following the closure of the landfill.

Budget Figures

The budget figures are those approved by the Council at the beginning of the year after a period of consultation with the public as part of the Long Term Council Community Plan or Annual Plan process. The budget figures have been prepared in accordance with the generally accepted accounting practice and are consistent with the accounting policies adopted by the Council for the preparation of the financial statements.

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.

Statement of Cash Flows

Cash and cash equivalents comprise cash on hand and 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, and with original maturities of three months or less, in which the Council, or Group invests as part of its day to day cash management.

Operating activities include cash received from all income sources of the Council and Group and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non current assets.

Financing activities comprise activities that change the equity and debt capital structure of the Council and Group.

Changes in Accounting Policies

There have been the following significant changes from the accounting policies adopted in the last audited financial statements.

All policies, other than those noted below, have been applied on a basis consistent with the previous period.

Where necessary prior period comparisons have been amended in line with current year's disclosures.

Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- Recognition of land and buildings meeting the criteria for investment property as investment property with the changes in fair value during the period recognised in the Income Statement and no depreciation charge made as required by NZ IAS 40.
- Accounting for land and buildings, and infrastructure assets under the fair value method with a consequential increase in depreciation as provided for in NZ IAS 16.
- Accounting for forestry assets under the fair value method with the changes in fair value recognised in the Income Statement as required by NZ IAS 41.
- Recognition of the fair value of interest rate swaps used to hedge interest rate exposures as assets or liabilities at reporting date as required by NZ IAS 39.
- Accounting for some investments previously recorded at cost, at their fair values as required by NZ IAS 39.
- Recognition of cash and cash equivalents in accordance with NZ IAS 7.
- Deposits, monies held as agent and Trust funds held have been reclassified as required by NZ IAS 1.
- Recognition of the deferred tax liability based on all 'temporary differences' as required by NZ IAS 12.
- Recognition of the sick leave provision as required by NZ IAS 19.
- Recognition of the retiring gratuity and long service leave liabilities 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.
- Reclassification of software assets as intangible assets as required by NZ IAS 38.

The impact of these changes in accounting policies is detailed later in Note 29.

Standards and Interpretations in Issue not yet Effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Council's and Group's financial report:

| Standard | Effective for Annual Reporting Periods beginning on or after | Expected to be Initially Applied in the financial year ending |
|--|--|---|
| NZ IFRS-7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue | 1 January 2007 | 30 June 2008 |
| NZ IFRS-8 'Operating Segments' | 1 January 2009 | 30 June 2010 |

Initial application of the following Standards and Interpretation is not expected to have any material impact to the financial report of the company and group:

| Standard/ Interpretation | Effective for Annual Reporting Periods beginning on or after | Expected to be Initially Applied in the financial year ending |
|--|--|---|
| NZ IFRS-10 'Interim Financial Reporting and Impairment' | 1 November 2006 | 30 June 2008 |
| NZ IFRIC-11 'NZ IFRS-2 - Group and Treasury Share Transactions' | 1 March 2007 | 30 June 2008 |
| NZ IFRIC-12 'Service Concession Arrangements' | 1 January 2008 | 30 June 2009 |
| IFRIC-13 'Customer Loyalty Programmes' | 1 July 2008 | 30 June 2009 |
| IFRIC-14 'IAS-19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' | 1 January 2008 | 30 June 2009 |
| NZ IAS-23 'Borrowing Costs' - revised Standard | 1 January 2009 | 30 June 2010 |

STATEMENT OF FINANCIAL PERFORMANCE

Statement of Financial Performance - \$000's for the year ended 30 June 2007

| | NOTES | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | | |
|--|---------|-------------------|-------------------|------------------------------|-------------------|-------------------|
| | | ACTUAL 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
| INCOME | | | | | | |
| Rates | (1A) | 38,706 | 36,748 | 39,101 | 38,472 | 36,941 |
| Subsidies and Grants | (1B) | 7,507 | 9,469 | 7,507 | 7,839 | 9,469 |
| Interest | (1C) | 1,628 | 1,456 | 1,449 | 970 | 1,343 |
| Dividends | (1D) | 9 | - | 9 | 471 | 505 |
| Other Income | (1E) | 48,162 | 43,334 | 30,778 | 21,213 | 27,394 |
| Other Gains/(Losses) | (1F) | 3,651 | 3,483 | 512 | - | 1,923 |
| | | 99,663 | 94,491 | 79,356 | 68,965 | 77,575 |
| EXPENDITURE | | | | | | |
| Employee Benefit Expenses | (2) | 15,450 | 14,008 | 12,128 | 12,433 | 11,146 |
| Depreciation and Amortisation | (17&18) | 12,683 | 12,059 | 10,641 | 10,998 | 10,298 |
| Finance Costs | (2) | 1,702 | 2,239 | 15 | 1,689 | 46 |
| Other Operating Expenses | (2) | 45,317 | 45,441 | 40,943 | 34,251 | 40,877 |
| Total Operating Expenditure | | 75,152 | 73,747 | 63,727 | 59,371 | 62,367 |
| Operating Surplus / (Deficit) before tax | | 24,511 | 20,744 | 15,629 | 9,594 | 15,208 |
| Less Taxation | (3) | 1,510 | 1,684 | - | - | - |
| Net Surplus / (Deficit) After Tax | | 23,001 | 19,060 | 15,629 | 9,594 | 15,208 |

STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity - \$000's for the year ended 30 June 2007

| | NOTES | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | | |
|--|---------|-------------------|-------------------|------------------------------|-------------------|-------------------|
| | | ACTUAL 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
| Balance at the beginning of the year | | 870,264 | 701,547 | 796,171 | 772,406 | 631,306 |
| Gain/(loss) on property revaluation | (5) | 50,387 | 149,657 | 45,387 | - | 149,657 |
| Income tax on items taken directly to or transferred from equity | (3 & 5) | 62 | - | - | - | - |
| Net Income /(expense) recognised directly in equity | | 50,449 | 149,657 | 45,387 | - | 149,657 |
| Surplus/ (deficit) for the year | | 23,001 | 19,060 | 15,629 | 9,594 | 15,208 |
| Total recognised income for the period | | 73,450 | 168,717 | 61,016 | 9,594 | 164,865 |
| Balance at the end of the year | | 943,714 | 870,264 | 857,187 | 782,000 | 796,171 |

The notes on pages 60 to 80 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

Statement of Financial Position - \$'000's as at 30 June 2007

| | NOTES | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | | |
|---------------------------------------|-------|-------------------|-------------------|------------------------------|-------------------|-------------------|
| | | ACTUAL 2006/07 | ACTUAL 2005/06 | ACTUAL 2006/07 | BUDGET 2006/07 | ACTUAL 2005/06 |
| RATEPAYERS' EQUITY | | | | | | |
| Accumulated funds | (4) | 532,511 | 511,483 | 479,994 | 459,963 | 466,338 |
| Ordinary and Council Created Reserves | (4) | 27,798 | 25,794 | 25,182 | 20,798 | 23,178 |
| Restricted Reserves | (4) | 13,661 | 12,618 | 13,661 | 10,773 | 12,618 |
| Revaluation Reserve | (5) | 369,744 | 320,369 | 338,350 | 290,466 | 294,037 |
| Total Ratepayers Equity | | 943,714 | 870,264 | 857,187 | 782,000 | 796,171 |
| <i>Represented by:-</i> | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and Cash Equivalents | (6) | 13,564 | 11,839 | 11,283 | 6,102 | 10,226 |
| Trade and other Receivables | (7) | 7,386 | 8,296 | 5,661 | 5,248 | 6,642 |
| Financial Assets Derivatives | (8) | 538 | 42 | - | - | - |
| Other Financial Assets | (9) | 2,183 | 2,646 | 2,183 | - | 2,646 |
| Inventories | (11) | 257 | 224 | 75 | 604 | 51 |
| Tax refund due | (3) | 259 | 791 | - | - | - |
| Non Current Assets held for Sale | (12) | 93 | 96 | 93 | - | 96 |
| Total Current Assets | | 24,280 | 23,934 | 19,295 | 11,954 | 19,661 |
| CURRENT LIABILITIES | | | | | | |
| Bank Current Account | (13) | 855 | 650 | 855 | - | 650 |
| Trade and other Payables | (14) | 11,664 | 12,566 | 10,942 | 10,278 | 9,230 |
| Derivative Financial Instruments | (8) | - | 222 | - | - | - |
| Provision for Tax | (3) | - | 15 | - | - | - |
| Employee Benefit Liabilities | (16) | 1,588 | 1,420 | 1,145 | - | 1,075 |
| Borrowings | (21) | - | 68 | - | - | 68 |
| Total Current Liabilities | | 14,107 | 14,941 | 12,942 | 10,278 | 11,023 |
| Working Capital | | 10,173 | 8,993 | 6,353 | 1,676 | 8,638 |
| NON CURRENT ASSETS | | | | | | |
| Deferred Taxation | (3) | 604 | 617 | - | - | - |
| Trade and other Receivables | (7) | 705 | 447 | 705 | - | 447 |
| Intangible Assets | (18) | 580 | 632 | 441 | - | 601 |
| Investment Property | (19) | 61,545 | 57,584 | - | - | - |
| Biological Assets | (20) | 15,823 | 17,026 | 15,823 | - | 17,026 |
| Other Financial Assets | (9) | 13,203 | 9,264 | 20,628 | 22,734 | 16,689 |
| Property Plant and Equipment | (17) | 885,855 | 816,929 | 814,941 | 786,723 | 754,635 |
| Total Non Current Assets | | 978,315 | 902,499 | 852,538 | 809,457 | 789,398 |
| LESS NON CURRENT LIABILITIES | | | | | | |
| Landfill Aftercare Provision | (15) | 578 | 526 | 578 | - | 526 |
| Runway Reseal Provision | (15) | 1,672 | 1,313 | - | - | - |
| Deferred Taxation | (3) | 7,468 | 7,870 | - | - | - |
| Employee Benefits | (16) | 1,126 | 1,105 | 1,126 | - | 1,105 |
| Borrowings | (21) | 33,930 | 30,414 | - | 29,133 | 234 |
| Total Non Current Liabilities | | 44,774 | 41,228 | 1,704 | 29,133 | 1,865 |
| Net Assets | | 943,714 | 870,264 | 857,187 | 782,000 | 796,171 |

The notes on pages 60 to 80 form part of these financial statements.

STATEMENT OF CASHFLOWS

Statement of Cash Flows - \$000's for the year ended 30 June 2007

| | CONSOLIDATED | | PARENT | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2006/07 | 2005/06 | 2006/07 | 2005/06 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash was provided from: | | | | |
| Rates | 38,706 | 36,748 | 39,101 | 36,941 |
| Monies from Deposits | 2,231 | 1,200 | 2,231 | 1,200 |
| Receipts from customers | 56,306 | 51,549 | 39,176 | 35,908 |
| Interest Received | 1,437 | 1,343 | 1,437 | 1,268 |
| Dividends Received | 9 | - | 9 | 505 |
| Net GST | - | 395 | 104 | 123 |
| Cash was applied to: | | | | |
| Payments to employees and suppliers | (57,934) | (51,409) | (50,740) | (46,409) |
| Interest paid | (2,420) | (2,001) | (15) | (46) |
| Monies from Deposits | (2,163) | (823) | (2,163) | (823) |
| Taxes Paid | (1,382) | (1,906) | - | - |
| Net GST | (56) | - | - | - |
| Net Cash Flows From Operating Activities | (22) | 34,734 | 29,140 | 28,667 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Cash was provided from: | | | | |
| Sale of Assets | 4 | - | - | - |
| Advance to related party | - | - | 1,120 | - |
| Proceeds from sale of Investments | 1,485 | 564 | 1,493 | 2,022 |
| Cash was applied to: | | | | |
| Purchase of property, plant & equipment & forestry assets | (32,483) | (23,856) | (24,923) | (21,669) |
| Repayment by related party | - | - | - | (370) |
| Purchase of Investments | (5,410) | (7,902) | (5,410) | (7,356) |
| Net Cash Flows Used in Investing Activities | (36,404) | (31,194) | (27,720) | (27,373) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Cash was provided from: | | | | |
| Loans raised | 3,448 | - | - | - |
| Cash was applied to: | | | | |
| Loans repaid | (258) | (3,981) | (568) | (973) |
| Net Cash Flows From Financing Activities | 3,190 | (3,981) | (568) | (973) |
| Net Increase In Cash | 1,520 | (79) | 852 | 321 |
| Add opening cash | 11,189 | 11,268 | 9,576 | 9,255 |
| Closing Cash | 12,709 | 11,189 | 10,428 | 9,576 |
| REPRESENTED BY: | | | | |
| Cash at Bank | 3,706 | 2,807 | 1,425 | 1,194 |
| Bank Overdraft | (855) | (650) | (855) | (650) |
| Short Term Investments | 9,858 | 9,032 | 9,858 | 9,032 |
| | 12,709 | 11,189 | 10,428 | 9,576 |

The notes on pages 60 to 80 form part of these financial statements.

STATEMENT OF COMMITMENTS AND CONTINGENCIES

Commitments:

(A) Council

These represent contracts entered into but the goods or services have either not been received or the work has not been completed as of 30 June 2007. Total commitments for Council are 2006/2007 \$2,817,783 (2005/06 \$5,425,088).

A summary of commitments is as follows:

| | | |
|--|--|--------------------|
| Economic | | |
| • Conference Centre (Marlborough Combined Clubs) | | \$2,019,000 |
| Services and Operations | | |
| • Havelock Water Supply Well Drilling | | \$7,373 |
| • Battys Rd/Waters Avenue | | \$56,206 |
| • Waikawa Road Water Main – (Rutland to Surrey) | | \$20,135 |
| • Taylor Pass Sewer and Water Mains | | \$450,159 |
| • MOPS Industrial Waste Switchboards | | \$51,385 |
| • BSTP Recirculation Pump (Pond 5) | | \$15,301 |
| • Auckland Street Sewer Renewal | | \$65,312 |
| • Havelock & Seddon Oxidation Ponds (Floating Aerator) | | \$18,150 |
| • Resource Recovery Centre (Professional Services) | | \$114,762 |
| TOTAL | | \$2,817,783 |

Intentions to Commit:

Your attention is drawn to the Long Term Council Community Plan for July 2006 to June 2016. This document is available from Council offices and agencies and shows details of our intentions for the next year in particular, and the ensuing nine years in general terms.

(B) Port Marlborough

Total capital expenditure contracted for at balance date of \$771,000 (2006: \$66,000).

(C) Marlborough Airport

Total capital expenditure contracted for at balance date of \$76,000 (2006: nil).

Contingent Assets and Liabilities:

Contingent Liabilities

| | ACTUAL - 2006/07 \$000's | ACTUAL - 2005/06 \$000's |
|--|-----------------------------|-----------------------------|
| • Guarantees to Sporting and Community Organisations | 1,520 | 20 |
| • Uncalled Capital in MDC Holdings Limited | 50,000 | 50,000 |
| • Other Legal proceedings | 20 | 20 |

Contingent Assets

There were no contingent assets at 30 June 2006 (2005: Nil).

NOTES TO THE FINANCIAL STATEMENTS

1 Reconciliation of Total Income

| | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | |
|---|--------------------|--------------------|------------------------------|--------------------|
| | 2006/07 \$000's | 2005/06 \$000's | 2006/07 \$000's | 2005/06 \$000's |
| (a) Rates Activity | | | | |
| Democratic Process | 1,933 | 1,788 | 1,933 | 1,788 |
| Arts and Heritage | 452 | 432 | 452 | 432 |
| Community Safety | 75 | 95 | 75 | 95 |
| Community Support | 591 | 625 | 591 | 625 |
| Libraries | 1,005 | 933 | 1,005 | 933 |
| Emergency Management | 563 | 494 | 563 | 494 |
| Community Facilities | 3,404 | 3,073 | 3,404 | 3,073 |
| Land Transport | 7,619 | 7,317 | 7,619 | 7,317 |
| Rivers and Land Drainage | 2,923 | 2,893 | 2,923 | 2,893 |
| Sewerage | 4,492 | 4,277 | 4,492 | 4,277 |
| Stormwater | 972 | 932 | 972 | 932 |
| Water | 6,398 | 5,937 | 6,398 | 5,937 |
| Solid and Hazardous Waste Management | 1,749 | 1,691 | 1,749 | 1,691 |
| Environment | 2,736 | 2,627 | 2,736 | 2,627 |
| Regional Development | 817 | 591 | 817 | 591 |
| Consents and Compliance | 2,052 | 2,036 | 2,052 | 2,036 |
| Animal and Plant Pests (Biosecurity) | 870 | 838 | 870 | 838 |
| Harbour Control | 396 | 369 | 396 | 369 |
| Animal Control | 57 | 55 | 57 | 55 |
| Total Significant Activity Rates | 39,104 | 37,003 | 39,104 | 37,003 |
| Other Revenues | | | | |
| Other MDC Activities | (398) | (255) | (3) | (62) |
| Total Rates (net of remissions) | 38,706 | 36,748 | 39,101 | 36,941 |

Rate Remissions

Rates revenue is shown net of rates remissions. Council has a number of Rate Remission Policies which enable ratepayers to qualify for various remission amounts providing certain conditions and criteria are met.

| | 2006/07 | 2005/06 | 2006/07 | 2005/06 |
|---|---------------|---------------|---------------|---------------|
| Total Rates Revenue | 39,024 | 37,039 | 39,419 | 37,232 |
| Rate Remissions | | | | |
| Community Sporting and Other Organisations | 23 | 23 | 23 | 23 |
| Residential Land in Commercial/Industrial Areas | 8 | 9 | 8 | 9 |
| Single Entity Non Contiguous Pastoral Units | 3 | 2 | 3 | 2 |
| Subdivisions creating four or more units | 49 | 37 | 49 | 37 |
| Rate Penalties | 29 | 32 | 29 | 32 |
| Separately Used/Inhabited Parts of Rating Units | 32 | 31 | 32 | 31 |
| Multi-ownership Maori Land | 144 | 134 | 144 | 134 |
| Separate Ownership Contiguous Pastoral Units | 8 | 8 | 8 | 8 |
| Protected Land | 1 | 1 | 1 | 1 |
| Water Remissions | 21 | 14 | 21 | 14 |
| | 318 | 291 | 318 | 291 |
| Rates revenue net of remissions | 38,706 | 36,748 | 39,101 | 36,941 |

(b) Subsidies and Grants

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Community Safety | 171 | 241 | 171 | 241 |
| Community Facilities | 10 | 26 | 10 | 26 |
| Emergency Management | 16 | 26 | 16 | 26 |
| Land Transport and Other Services | 4,760 | 4,416 | 4,760 | 4,416 |
| Sewerage | 557 | 2,701 | 557 | 2,701 |
| Waste Management | 0 | 3 | 0 | 3 |
| Environment | 0 | 25 | 0 | 25 |
| Animal and Plant Pest Control (Biosecurity) | 1,993 | 2,031 | 1,993 | 2,031 |
| Total Subsidies and Grants | 7,507 | 9,469 | 7,507 | 9,469 |

There are no unfulfilled conditions and other contingencies attached to Government grants recognised.

| | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | |
|--|--------------------|--------------------|------------------------------|--------------------|
| | 2006/07 \$000's | 2005/06 \$000's | 2006/07 \$000's | 2005/06 \$000's |
| (c) Interest | | | | |
| Total Significant Activity Interest | 491 | 396 | 491 | 396 |
| Other Revenues | | | | |
| Other MDC Activities | 1,137 | 1,060 | 958 | 947 |
| Total Interest | 1,628 | 1,456 | 1,449 | 1,343 |
| (d) Dividend Income | 9 | 0 | 9 | 505 |
| (e) Other Income | | | | |
| Democratic Process | 1 | 1 | 1 | 1 |
| Culture and Heritage | 5 | 0 | 5 | 0 |
| Community Housing | 942 | 924 | 942 | 924 |
| Community Safety | 3 | 0 | 3 | 0 |
| Community Support | 42 | 0 | 42 | 0 |
| Libraries | 158 | 149 | 158 | 149 |
| Emergency Management | 119 | 55 | 119 | 55 |
| Community Facilities | 410 | 214 | 410 | 214 |
| Land Transport | 3,522 | 3,726 | 3,522 | 3,726 |
| Rivers and Land Drainage | 2,975 | 1,923 | 2,975 | 1,923 |
| Sewerage | 2,198 | 1,769 | 2,198 | 1,769 |
| Stormwater | 649 | 1,038 | 649 | 1,038 |
| Water | 941 | 1,118 | 941 | 1,118 |
| Solid and Hazardous Waste Management | 1,977 | 1,553 | 1,977 | 1,553 |
| Environment | 68 | 48 | 68 | 48 |
| Regional Development | 0 | 0 | 0 | 0 |
| Consents and Compliance | 5,065 | 3,400 | 5,065 | 3,400 |
| Animal and Plant Pests | 414 | 407 | 414 | 407 |
| Harbour Control | 183 | 288 | 183 | 288 |
| Animal Control | 390 | 428 | 390 | 428 |
| Significant Activity Other Income | 20,062 | 17,041 | 20,062 | 17,041 |
| Other Revenues | | | | |
| Land Subdivision Revenues | 2,288 | 1,944 | 2,288 | 1,944 |
| Other MDC Activities | 8,279 | 8,439 | 8,428 | 8,409 |
| MDCHL Revenue Services | 11,474 | 10,451 | 0 | 0 |
| Investment Property | 5,991 | 5,398 | 0 | 0 |
| Other | 68 | 61 | 0 | 0 |
| Total Other Income | 48,162 | 43,334 | 30,778 | 27,394 |
| Other Income Disclosures | | | | |
| User Charges | 8,273 | 7,167 | 8,273 | 7,167 |
| Regulatory Revenue | 5,171 | 3,770 | 5,171 | 3,770 |
| Land Subdivision Revenues | 2,288 | 1,944 | 2,288 | 1,944 |
| Development Impact Levies | 405 | 346 | 405 | 346 |
| Infringements and Fines | 356 | 326 | 356 | 326 |
| Petrol tax | 417 | 300 | 417 | 300 |
| Other Revenue | 3,720 | 2,419 | 3,869 | 2,389 |
| Marlborough Regional Forestry | 6,904 | 7,001 | 6,904 | 7,001 |
| Assets vested in Council from Subdivisions | 3,095 | 4,151 | 3,095 | 4,151 |
| MDCHL Revenue | 17,533 | 15,910 | 0 | 0 |
| | 48,162 | 43,334 | 30,778 | 27,394 |
| (f) Other Gains/(Losses) | | | | |
| Gain on sale of Property Plant and Equipment | 977 | 1,925 | 973 | 1,923 |
| Fair value adjustment of investments | (461) | 0 | (461) | 0 |
| Investment Property Revaluation | 3,135 | 1,559 | 0 | 0 |
| | 3,651 | 3,484 | 512 | 1,923 |
| Total Income | 99,663 | 94,491 | 79,356 | 77,575 |

2 Expenditure Disclosures

| | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | |
|--|--------------------|--------------------|------------------------------|--------------------|
| | 2006/07 \$000's | 2005/06 \$000's | 2006/07 \$000's | 2005/06 \$000's |
| Employee Entitlements | | | | |
| Salaries and wages | 14,693 | 13,473 | 11,478 | 10,722 |
| Superannuation Contributions | 550 | 535 | 443 | 424 |
| Employee Insurance | 207 | 0 | 207 | 0 |
| | 15,450 | 14,008 | 12,128 | 11,146 |
| Finance Costs | | | | |
| Interest on Loans | 2,420 | 2,360 | 15 | 46 |
| (Gains)/Losses on Derivatives | (718) | (121) | 0 | 0 |
| | 1,702 | 2,239 | 15 | 46 |
| Other Expenditure | | | | |
| Audit Fees | | | | |
| - Annual Fees for Financial Statement - Audit NZ | 99 | 85 | 85 | 79 |
| - Annual Fees for Financial Statement – Deloitte | 58 | 33 | 0 | 0 |
| - Audit Fee for NZ IFRS transition | 67 | 0 | 25 | 0 |
| - Audit fee for LTCCP | 0 | 58 | 0 | 58 |
| - Audit Fees for assurance related services | 6 | 7 | 0 | 0 |
| Bad Debts - Write-offs | 184 | 180 | 184 | 180 |
| - Increase in Provision | (47) | 81 | 19 | (17) |
| Councillors and Directors Fees | 772 | 682 | 579 | 498 |
| Grants and Donations | 2,144 | 1,523 | 2,144 | 1,523 |
| Lease of Equipment | 361 | 424 | 361 | 424 |
| Rentals | 91 | 73 | 91 | 73 |
| Writedown of Forest | 1,474 | 5,880 | 1,474 | 5,880 |
| Other | 40,108 | 36,415 | 35,981 | 32,179 |
| | 45,317 | 45,441 | 40,943 | 40,877 |
| Depreciation and Amortisation | 12,683 | 12,059 | 10,641 | 10,298 |
| | 75,152 | 73,747 | 63,727 | 62,367 |
| Expenditure by Function | | | | |
| Democratic Process | 2,235 | 2,053 | 2,235 | 2,053 |
| Arts and Heritage | 506 | 403 | 506 | 403 |
| Community Housing | 844 | 795 | 844 | 795 |
| Community Safety | 255 | 300 | 255 | 300 |
| Community Support | 647 | 557 | 647 | 557 |
| Libraries | 1,240 | 1,157 | 1,240 | 1,157 |
| Emergency Management | 619 | 495 | 619 | 495 |
| Community Facilities | 4,416 | 3,850 | 4,416 | 3,850 |
| Land Transport | 14,374 | 13,538 | 14,374 | 13,538 |
| Rivers and Land Drainage | 3,462 | 3,201 | 3,462 | 3,201 |
| Sewerage | 5,263 | 4,369 | 5,263 | 4,369 |
| Stormwater | 1,118 | 994 | 1,118 | 994 |
| Water | 5,761 | 5,793 | 5,761 | 5,793 |
| Solid and Hazardous Waste Management | 3,669 | 3,477 | 3,669 | 3,477 |
| Environment | 3,405 | 3,417 | 3,405 | 3,417 |
| Regional Development | 940 | 1,134 | 940 | 1,134 |
| Consents and Compliance | 7,020 | 5,414 | 7,020 | 5,414 |
| Animal and Plant Pests | 3,504 | 3,386 | 3,504 | 3,386 |
| Harbour Control | 726 | 754 | 726 | 754 |
| Animal Control | 465 | 398 | 465 | 398 |
| | 60,469 | 55,485 | 60,469 | 55,485 |
| Less Internal Interest Eliminations | | | | |
| Community Housing | 113 | 113 | 113 | 113 |
| Community Safety | 10 | 10 | 10 | 10 |
| Community Facilities | 101 | 91 | 101 | 91 |
| Land Transport and Other Services | 545 | 598 | 545 | 598 |

| | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | |
|---|--------------------|--------------------|------------------------------|--------------------|
| | 2006/07 \$000's | 2005/06 \$000's | 2006/07 \$000's | 2005/06 \$000's |
| Sewerage | 1,157 | 985 | 1,157 | 985 |
| Stormwater | 268 | 231 | 268 | 231 |
| Waste Management | 492 | 473 | 492 | 473 |
| Water | 1,716 | 1,689 | 1,716 | 1,689 |
| General District Expenses | 9 | 9 | 9 | 9 |
| Internal Interest Elimination | 4,411 | 4,199 | 4,411 | 4,199 |
| Sub-Total | 56,058 | 51,286 | 56,058 | 51,286 |
| General District Expenses | 1,651 | 1,025 | 1,651 | 1,025 |
| Other Activities | | | | |
| Marlborough Regional Forestry | 6,018 | 10,056 | 6,018 | 10,056 |
| Total Operating Expenditure (Excluding Subsidiaries) | 63,727 | 62,367 | 63,727 | 62,367 |
| MDC Holdings Limited | 11,425 | 11,380 | - | - |
| Total Operating Expenditure | 75,152 | 73,747 | 63,727 | 62,367 |

3 Taxation

(a) Income tax recognised in profit and loss

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Components of tax expense | | | | |
| Current tax expense | 1,837 | 1,522 | - | - |
| Adjustments to current tax in prior years | - | (7) | - | - |
| Deferred tax expense | (327) | 169 | - | - |
| Income tax expense | 1,510 | 1,684 | - | - |
| Relationship between tax expense and accounting profit | | | | |
| Surplus/(deficit) before tax | 24,511 | 20,744 | 15,629 | 15,208 |
| Tax at 33% | 8,089 | 6,845 | 5,158 | 5,019 |
| Non-deductible expenditure | 91 | 181 | - | - |
| Non-taxable income | (6,568) | (5,544) | (5,158) | (5,019) |
| Deferred tax balances due to change in income tax rate (over)/under provision of income tax prior year | (151) | (7) | - | - |
| Other | 49 | 209 | - | - |
| Tax expense | 1,510 | 1,684 | - | - |

Within the group tax losses available to carry forward are \$1,055,218 (2006: \$923,178) with a tax effect \$348,222 (2005: \$304,649).

The tax rate used in the above reconciliation is the corporate tax rate of 33% payable by New Zealand corporate entities on taxable profits under New Zealand law. There has been no change to the corporate tax rate when compared with the previous reporting period. As a result of the Government of New Zealand's announcement in May 2007 that the corporate tax rate will change from 33% to 30% effective from the 2008/09 income year, the deferred tax account has been measured and recorded to account for estimated reversals of temporary differences accordingly.

(b) Income tax recognised directly in equity

The following current and deferred amounts were charged directly to equity during the period:

| | | | | |
|--|-------------|----------|----------|----------|
| Deferred Tax Property revaluations | 555 | - | - | - |
| Effect of tax rate change from 33% to 30% effective Apr 08 | (617) | - | - | - |
| | (62) | - | - | - |

(c) Deferred tax balances

| | | | | |
|------------------------------------|-------|-------|---|---|
| Deferred tax liabilities comprise: | | | | |
| Temporary Differences | 7,468 | 7,870 | - | - |
| Deferred tax assets comprise: | | | | |
| Temporary Differences | 604 | 617 | - | - |

Taxable and deductible temporary difference arising from the following:

| | 2006/07 CONSOLIDATED | | | |
|--|-------------------------|---------------------------|---------------------------|-------------------------|
| | Opening Balance \$000's | Charged to Income \$000's | Charged to equity \$000's | Closing Balance \$000's |
| Gross deferred tax liabilities: | | | | |
| Derivatives | 14 | 164 | - | 178 |
| Property, plant & equipment | 5,513 | (140) | (62) | 5,311 |
| Investment Property | 2,343 | (364) | - | 1,979 |
| Closing balance | 7,870 | (340) | (62) | 7,468 |
| Gross deferred tax assets: | | | | |
| Provisions | 544 | 60 | - | 604 |
| Derivatives | 73 | (73) | - | - |
| Closing balance | 617 | (13) | - | 604 |
| | 7,253 | (327) | (62) | 6,864 |

| | 2005/06 CONSOLIDATED | | | |
|--|-------------------------|---------------------------|---------------------------|-------------------------|
| | Opening Balance \$000's | Charged to Income \$000's | Charged to equity \$000's | Closing Balance \$000's |
| Gross deferred tax liabilities: | | | | |
| Derivatives | - | 14 | - | 14 |
| Property, plant & equipment | 5,685 | (172) | - | 5,513 |
| Investment Property | 1,967 | 376 | - | 2,343 |
| Closing balance | 7,652 | 218 | - | 7,870 |
| Gross deferred tax assets: | | | | |
| Provisions | 459 | 152 | (67) | 544 |
| Derivatives | 99 | (26) | - | 73 |
| Closing balance | 558 | 126 | (67) | 617 |
| | 7,094 | 92 | 67 | 7,253 |

(d) Tax Imputation Account

| | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | |
|---|-----------------|-----------------|------------------------------|-----------------|
| | 2006/07 \$000's | 2005/06 \$000's | 2006/07 \$000's | 2005/06 \$000's |
| Balance at beginning of the period | 15,330 | 14,112 | - | - |
| Credits: | | | | |
| Income tax payments | 2,044 | 2,152 | - | - |
| Income tax refund | (791) | (89) | - | - |
| Disposal of Marlborough Airport | - | (596) | - | - |
| Prior period adjustment | 5 | - | - | - |
| Imputation credits attached to dividends paid | - | (249) | - | - |
| Closing balance | 16,588 | 15,330 | - | - |

At 30 June 07, the imputation credits available to the shareholders of the parent Company were:

| | | | | |
|---|---------------|---------------|----------|----------|
| Through Direct Shareholding in the Parent Company | 4,595 | 3,732 | - | - |
| Through indirect interest in the Subsidiaries | 11,993 | 11,598 | - | - |
| Closing balance | 16,588 | 15,330 | - | - |

The Council's financial statements report dividends net of imputation tax credits.

(e) Tax asset (liabilities)

| | | | | |
|-------------------|------------|------------|----------|----------|
| Refund Due | 259 | 791 | - | - |
| Provision for tax | - | (15) | - | - |
| | 259 | 776 | - | - |

4 Movements in Equity

| | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | |
|--|--------------------|--------------------|------------------------------|--------------------|
| | 2006/07 \$000's | 2005/06 \$000's | 2006/07 \$000's | 2005/06 \$000's |
| Reserves, Special and Separate Funds | | | | |
| Accumulated Fund | | | | |
| Opening Balance | 511,483 | 495,261 | 466,338 | 453,968 |
| Surplus/(deficit) | 23,001 | 19,060 | 15,629 | 15,208 |
| Distribution to Owners | - | - | - | - |
| Transfers (To)/From Reserves | (1,973) | (2,838) | (1,973) | (2,838) |
| Closing Balance | 532,511 | 511,483 | 479,994 | 466,338 |
| Ordinary and Council Created Reserves | | | | |
| Opening Balance | 25,794 | 25,012 | 23,178 | 22,396 |
| Transfers (To)/From Accumulated Fund | 2,004 | 782 | 2,004 | 782 |
| Closing Balance | 27,798 | 25,794 | 25,182 | 23,178 |
| Restricted Reserves | | | | |
| Opening Balance | 12,618 | 10,134 | 12,618 | 10,134 |
| Transfers (To)/From Accumulated Fund | 1,043 | 2,484 | 1,043 | 2,484 |
| Closing Balance | 13,661 | 12,618 | 13,661 | 12,618 |
| Restricted reserves consist of: | | | | |
| Sinking fund reserves | 10,893 | 9,671 | 10,893 | 9,671 |
| Land subdivision reserve | 2,768 | 2,947 | 2,768 | 2,947 |
| | 13,661 | 12,618 | 13,661 | 12,618 |

5 Revaluation Reserve

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Opening Balance | | | | |
| - Land | 71,666 | 71,227 | 57,984 | 57,545 |
| - Buildings and Improvements | 10,905 | 10,906 | 6,481 | 6,482 |
| - Port Infrastructure | 8,226 | 8,226 | 0 | 0 |
| - Forestry Crop | 54 | 54 | 54 | 54 |
| - Roading | 150,376 | 29,707 | 150,376 | 29,707 |
| - Bridges | 134 | 134 | 134 | 134 |
| - Rivers | 34,012 | 18,926 | 34,012 | 18,926 |
| - Sewerage | 10,682 | 8,947 | 10,682 | 8,947 |
| - Stormwater | 12,076 | 11,336 | 12,076 | 11,336 |
| - Water | 20,516 | 10,572 | 20,516 | 10,572 |
| - Car Parks | 1,722 | 1,104 | 1,722 | 1,104 |
| - Plant & Equipment | 0 | 0 | 0 | 0 |
| - Investments | 0 | 0 | 0 | 0 |
| Plus Revaluations | 0 | 0 | 0 | 0 |
| - Land | 44,319 | 866 | 41,119 | 866 |
| - Buildings and Improvements | 4,646 | 0 | 4,268 | 0 |
| - Port Infrastructure | 1,422 | 0 | 0 | 0 |
| - Car Parks | 0 | 618 | 0 | 618 |
| - Bridges | 0 | 0 | 0 | 0 |
| - River and land Drainage assets | 0 | 15,085 | 0 | 15,085 |
| - Roads | 0 | 120,669 | 0 | 120,669 |
| - Sewerage | 0 | 1,736 | 0 | 1,736 |
| - Stormwater | 0 | 740 | 0 | 740 |
| - Water | 0 | 9,944 | 0 | 9,944 |
| - Plus income tax recognised directly in equity | 62 | 0 | 0 | 0 |
| - Transfers (To)/From Accumulated Fund | (1,074) | (428) | (1,074) | (428) |
| | 369,744 | 320,369 | 338,350 | 294,037 |

6 Cash and Cash Equivalents

| | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | |
|--|--------------------|--------------------|------------------------------|--------------------|
| | 2006/07 \$000's | 2005/06 \$000's | 2006/07 \$000's | 2005/06 \$000's |
| Cash Floats | 2 | 2 | 2 | 2 |
| Current Accounts | 3,704 | 2,805 | 1,423 | 1,192 |
| Short term deposits maturing three months or less from date of acquisition | 9,858 | 9,032 | 9,858 | 9,032 |
| | 13,564 | 11,839 | 11,283 | 10,226 |

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

7 Trade and other Receivables

| | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Sundry | 99 | 100 | 99 | 100 |
| G.S.T. Receivable | 437 | 580 | 432 | 580 |
| Trade Debtors (includes rates) | 5,126 | 4,695 | 3,377 | 2,943 |
| Community Loans | 396 | 88 | 396 | 88 |
| Kaikoura DC share of MDC loan to MRF | 309 | 360 | 309 | 360 |
| Less Provision for Doubtful Debts | (144) | (191) | (112) | (93) |
| | 6,223 | 5,632 | 4,501 | 3,978 |
| Roading Subsidy | 1,252 | 1,279 | 1,252 | 1,279 |
| Prepayments and Accruals | 616 | 1,832 | 613 | 1,832 |
| | 8,091 | 8,743 | 6,366 | 7,089 |
| Less non - current portion: | | | | |
| Community Loans | 396 | 88 | 396 | 88 |
| Kaikoura DC share of MDC loan to MRF | 309 | 359 | 309 | 359 |
| Non Current | 705 | 447 | 705 | 447 |
| Current | 7,386 | 8,296 | 5,661 | 6,642 |

The values of trade and other receivables approximates fair value.

With the exception of the roading subsidy, there is no concentration of credit risk with respect to receivables outside the group as the group has a large number of customers (refer to note 26).

Council has provided a sum of \$112,000 for impairment of Trade Debtors.

The provision has been based on an analysis of previous year's losses and a review of specific debtors.

Movements in the provision for impairment of Trade Debtors are as follows:

| | | | | |
|--|------------|------------|------------|-----------|
| Opening Balance | 191 | 145 | 93 | 110 |
| Additional Provisions made during the year | 137 | 226 | 203 | 163 |
| Receivables written off during the year | (184) | (180) | (184) | (180) |
| Closing balance | 144 | 191 | 112 | 93 |

8 Derivative Financial Instruments

| | | | | |
|---------------------------------------|------------|--------------|----------|----------|
| At fair value | | | | |
| Interest rate swaps current asset | 538 | 42 | - | - |
| Interest rate swaps current liability | - | (222) | - | - |
| | 538 | (180) | - | - |

9 Other financial assets

| | | | | |
|--|---------------|--------------|---------------|---------------|
| Current Portion | | | | |
| Term deposits with maturities of 4-12 months | 2,183 | 2,646 | 2,183 | 2,646 |
| | 2,183 | 2,646 | 2,183 | 2,646 |
| Non-current portion | | | | |
| Fair value | | | | |
| Term deposits with maturities greater than 12 months | 13,069 | 9,189 | 13,069 | 9,189 |
| Mortgage advances | 1 | - | 1 | - |
| | 13,070 | 9,189 | 13,070 | 9,189 |
| Cost | | | | |
| Unlisted shares - subsidiaries | - | - | 7,425 | 7,425 |
| Other | 133 | 75 | 133 | 75 |
| | 133 | 75 | 7,558 | 7,500 |
| | 13,203 | 9,264 | 20,628 | 16,689 |

There are no impairment provisions for other financial assets.

Term deposits and mortgage advances are valued as available for sale at fair value. Fair value has been determined by reference to published price quotations in an active market.

Unlisted shares have been valued at cost less any impairment.

10 Maturity analysis of Term Deposits

| | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | |
|---|--------------------|--------------------|------------------------------|--------------------|
| | 2006/07 \$000's | 2005/06 \$000's | 2006/07 \$000's | 2005/06 \$000's |
| Short term deposits with maturities of 3 mths or less - note 6 | 9,858 | 9,032 | 9,858 | 9,032 |
| <i>weighted effective interest rate</i> | 7.82% | 7.25% | 7.82% | 7.25% |
| Term deposits with maturities of 4 to 12 mths - note 9 | 2,183 | 2,646 | 2,183 | 2,646 |
| <i>weighted effective interest rate</i> | 7.90% | 7.06% | 7.90% | 7.06% |
| Term deposits with maturities of 1 to 5 yrs - note 9 | 10,690 | 7,679 | 10,690 | 7,679 |
| <i>weighted effective interest rate</i> | 7.18% | 7.03% | 7.18% | 7.03% |
| Term deposits with maturities of more than 5 yrs - note 9 | 2,379 | 1,510 | 2,379 | 1,510 |
| <i>weighted effective interest rate</i> | 7.12% | 7.07% | 7.12% | 7.07% |
| | 25,110 | 20,867 | 25,110 | 20,867 |

11 Inventories

| | | | | |
|-------------------------------|------------|------------|-----------|-----------|
| Roads & Bridges beams & parts | 8 | 13 | 8 | 13 |
| Quarry rock and gravel | 66 | 37 | 66 | 37 |
| Goods held for maintenance | 182 | 173 | - | - |
| Other | 1 | 1 | 1 | 1 |
| | 257 | 224 | 75 | 51 |

12 Non-current assets held for sale

Council owned several parcels of land in Blenheim Picton and Rarangi that are surplus to its requirements.

These parcels are being actively marketed and are intended to be sold within the next 12 months.

| | | | | |
|-----------|-----------|-----------|-----------|-----------|
| Land | 80 | 83 | 80 | 83 |
| Buildings | 13 | 13 | 13 | 13 |
| | 93 | 96 | 93 | 96 |

13 Bank Overdraft Facility

Although Marlborough District Council had no formal overdraft facility in place as at 30.06.07, a "setoff" facility was in place which allows Council to have its net position assessed on the 00, 02, 03, 05, 06, and 08 accounts. The interest rates are 12.15% (overdraft) and 2.25% in funds. Interest accrues daily and is paid at the end of the month.

14 Trade and other payables

| | | | | |
|-----------------------------|---------------|---------------|---------------|--------------|
| Trade Creditors | 3,838 | 4,850 | 3,029 | 2,413 |
| G.S.T. Payable | 9 | 76 | 9 | 76 |
| Other Sundry Accruals | 5,525 | 5,228 | 5,007 | 5,032 |
| Rentals received in advance | 517 | 705 | - | - |
| Deposits | 1,368 | 1,274 | 1,368 | 1,274 |
| Monies held as agent | 194 | 228 | 194 | 228 |
| Trust Funds | 213 | 205 | 213 | 205 |
| Inter Entity Payables | - | - | 1,122 | 2 |
| | 11,664 | 12,566 | 10,942 | 9,230 |

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

15 Provisions

| | | | | |
|----------------------------------|--------------|--------------|------------|------------|
| Noncurrent | | | | |
| Provision for Landfill aftercare | 578 | 526 | 578 | 526 |
| Provision for runway reseal | 1,672 | 1,313 | - | - |
| | 2,250 | 1,839 | 578 | 526 |

| | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | |
|---|--------------------|--------------------|------------------------------|--------------------|
| | 2006/07 \$000's | 2005/06 \$000's | 2006/07 \$000's | 2005/06 \$000's |
| Movements in Provisions | | | | |
| Provision for Landfill Aftercare | | | | |
| Opening Balance | 526 | 474 | 526 | 474 |
| Increase in Provision | 52 | 52 | 52 | 52 |
| Closing Balance 30 June | 578 | 526 | 578 | 526 |
| Provision for Runway Reseal | | | | |
| Opening Balance | 1,313 | 1,113 | - | - |
| Increase in Provision | 359 | 200 | - | - |
| Closing Balance 30 June | 1,672 | 1,313 | - | - |

Landfill aftercare liability

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

The Council has responsibility under the consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. There are closure and post closure responsibilities such as the following:

Closure responsibilities:

- Final cover application and vegetation
- Incremental drainage control features
- Completing facilities for leachate collection and monitoring
- Completing facilities for water quality monitoring
- Completing facilities for monitoring and recovery of gas.

Post-closure responsibilities:

- Treatment and monitoring of leachate
- Ground water and surface monitoring
- Gas monitoring and recovery
- Implementation of remedial measures such as needed for cover, and control systems
- Ongoing site maintenance for drainage systems, final cover and vegetation.

To provide for the estimated cost a charge is made each year. The estimated liability for closure and post closure is \$2.85m.

Capacity of the Site:

- The remaining capacity of the site is 2.07 million cubic meters (refuse cleanfill and cover)
- The estimated remaining life is 40 years. Estimates of the life have been made by the Council's engineers based on historical volume information. These estimates assume the granting of Resource Consent renewals.

16 Employee Benefit Liabilities

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Accrued pay | 335 | 302 | 335 | 302 |
| Annual leave | 1,228 | 1,091 | 785 | 746 |
| Long Service Leave | 139 | 150 | 139 | 150 |
| Retirement gratuities | 987 | 957 | 987 | 957 |
| Sick Leave | 25 | 25 | 25 | 25 |
| Total employee benefit liabilities | 2,714 | 2,525 | 2,271 | 2,180 |
| Comprising: | | | | |
| Current | 1,588 | 1,420 | 1,145 | 1,075 |
| Non-current | 1,126 | 1,105 | 1,126 | 1,105 |
| Total employee benefit liabilities | 2,714 | 2,525 | 2,271 | 2,180 |

17 Property plant and equipment

| 2006/07 MDC PARENT | | CARRYING AMOUNT | | | | WORK IN PROGRESS AND OTHER RECLASSIFICATIONS | | | | CURRENT YEAR | | | | REVALUATION | | | | CARRYING AMOUNT | |
|---|--------------------|-------------------|--------------------|----------------|--------------------|--|--------------------|--------------|-------------------|-----------------|--------------|-----------------|---------------------|---------------------|-----------------------------|--------------------|----------------------|-----------------|--|
| COST OR VALN \$000's | ACCUM DEPN \$000's | 1 JULY 06 \$000's | ACCUM DEPN \$000's | AMOUNT \$000's | ACCUM DEPN \$000's | COST \$000's | ACCUM DEPN \$000's | ADDN \$000's | DISPOSALS \$000's | IMPAYMT \$000's | DEPN \$000's | SURPLUS \$000's | COST ADJUST \$000's | DEPN ADJUST \$000's | REVALN 30 JUNE 2007 \$000's | ACCUM DEPR \$000's | 30 JUNE 2007 \$000's | | |
| (a) Operational Assets | | | | | | | | | | | | | | | | | | | |
| Work in Progress | - | 1,773 | - | (1,724) | - | 4,271 | 1,641 | - | - | - | - | - | - | - | - | - | 2,679 | | |
| Buildings | 23,042 | 1,172 | 21,870 | 1,482 | - | 610 | 387 | 69 | - | - | 451 | - | 2,034 | (1,162) | 392 | 26,389 | | | |
| Forest Crops | 376 | - | 376 | - | - | - | - | - | - | - | - | - | - | - | - | 376 | | | |
| Land | 59,625 | - | 59,625 | 338 | 251 | 785 | 662 | - | - | 90 | 459 | - | 26,564 | - | 341 | 86,309 | | | |
| Landfill | 6,872 | 4,338 | 2,534 | 281 | 83 | - | - | - | - | 146 | - | - | 240 | - | 4,797 | 2,679 | | | |
| Library Books | 3,614 | 2,487 | 1,127 | - | 193 | - | - | - | - | - | - | - | - | - | 2,633 | 1,174 | | | |
| Other Structures and Improvements | 3,315 | 266 | 3,049 | (431) | (3) | 473 | 436 | 63 | - | 34 | - | (7) | - | - | 234 | 2,680 | | | |
| Office Equip, Furnishings & Fittings | 6,475 | 5,141 | 1,334 | 373 | - | 713 | 762 | 741 | - | 458 | - | - | - | - | 4,858 | 1,941 | | | |
| Paintings | 52 | - | 52 | - | - | - | - | - | - | - | - | - | - | - | - | 52 | | | |
| Parking Meters | 436 | 308 | 128 | - | - | 167 | - | - | - | 44 | - | - | - | - | 352 | 251 | | | |
| Plant, Machinery & Equipment | 4,897 | 2,335 | 2,562 | - | 4 | 542 | 100 | 93 | - | 332 | - | - | - | - | 2,578 | 2,761 | | | |
| | 110,477 | 16,047 | 94,430 | 319 | 252 | 7,837 | 3,988 | 966 | - | 2,014 | - | 28,831 | (1,162) | 143,476 | 16,186 | 127,290 | | | |
| (b) Infrastructural Assets | | | | | | | | | | | | | | | | | | | |
| Work in Progress | - | 5,018 | - | (4,796) | - | 3,490 | - | - | - | - | - | - | - | - | - | - | 3,712 | | |
| Bridges | 31,442 | 796 | 30,646 | - | - | 261 | - | - | - | 652 | - | - | - | - | 1,448 | 30,255 | | | |
| Car parks | 9,241 | 120 | 9,121 | - | - | 30 | - | - | - | 94 | - | - | 4,435 | (12) | 202 | 13,504 | | | |
| Public Conveniences | 1,801 | 56 | 1,745 | - | - | 126 | - | - | - | 27 | - | - | 338 | (77) | 6 | 2,259 | | | |
| Reserves and Parks | 27,025 | 563 | 26,462 | 13 | 4 | 2,156 | 73 | - | - | 115 | - | - | 9,296 | (118) | 564 | 37,853 | | | |
| River Works | 111,895 | 97 | 111,798 | - | - | 243 | - | - | - | 95 | - | - | 997 | - | 192 | 112,943 | | | |
| Roads and Streets | 343,856 | 4,668 | 339,188 | 56 | - | 7,396 | - | - | - | 4,944 | - | - | - | - | 9,612 | 341,696 | | | |
| Sewerage Schemes | 53,401 | 859 | 52,542 | 3,918 | - | 3,409 | - | - | - | 881 | - | - | - | - | 1,740 | 58,988 | | | |
| Stormwater Drainage Schemes | 24,036 | 385 | 23,651 | 614 | - | 1,296 | 38 | 5 | - | 405 | - | - | - | - | 785 | 25,123 | | | |
| War Memorials | 323 | 19 | 304 | (8) | 1 | 12 | - | - | - | 2 | - | - | 114 | (5) | 17 | 424 | | | |
| Water Supply Schemes | 60,855 | 1,125 | 59,730 | 149 | 11 | 2,190 | 2 | - | - | 1,162 | - | - | - | - | 2,298 | 60,894 | | | |
| | 668,893 | 8,688 | 660,205 | (54) | 16 | 20,609 | 113 | 5 | - | 8,377 | - | 15,180 | (212) | 704,515 | 16,864 | 687,651 | | | |
| Total Operational and Infrastructural Assets | 779,370 | 24,735 | 754,635 | 265 | 268 | 28,446 | 4,101 | 971 | - | 10,391 | - | 44,011 | (1,374) | 847,991 | 33,050 | 814,941 | | | |

17 Property plant and equipment (cont.)

| 2006/07 CONSOLIDATED | | | | | | | | | | | | | | |
|--|----------------------|--------------------|-----------------------------------|--|--------------------|----------------------------|--------------------------------|-------------------------------|--------------------|----------------------------|----------------------------|-----------------------------------|-------------------------------|--------------------------------------|
| | COST OR VALN \$000's | ACCUM DEPN \$000's | CARRYING AMOUNT 1 JULY 06 \$000's | WIP & OTHER RECLASSIFICATIONS COST \$000's | ACCUM DEPN \$000's | CURRENT YEAR ADDNS \$000's | CURRENT YEAR DISPOSALS \$000's | CURRENT YEAR IMPAIRMT \$000's | TFR ADJUST \$000's | REVALN COST ADJUST \$000's | REVALN DEPN ADJUST \$000's | COST/ REVALN 30 JUNE 2007 \$000's | ACCUM DEPR & IMPAIRMT \$000's | CARRYING AMOUNT 30 JUNE 2007 \$000's |
| (a) Operational Assets | | | | | | | | | | | | | | |
| Work in Progress | 2,814 | - | 2,814 | (1,724) | - | 9,697 | 1,641 | - | (430) | - | - | 8,716 | - | 8,716 |
| Buildings | 61,746 | 2,971 | 58,775 | 1,482 | - | 614 | 387 | - | - | 1,193 | (3,550) | 64,648 | 912 | 63,736 |
| Forest Crops | 376 | - | 376 | - | - | - | - | - | - | - | - | 376 | - | 376 |
| Land | 82,845 | 543 | 82,302 | 87 | - | 784 | 662 | - | 307 | 29,445 | (319) | 112,806 | 497 | 112,309 |
| Landfill | 6,872 | 4,338 | 2,534 | 281 | - | 83 | - | - | - | 240 | - | 7,476 | 4,797 | 2,679 |
| Library Books | 3,614 | 2,487 | 1,127 | - | - | 193 | - | - | - | - | - | 3,807 | 2,633 | 1,174 |
| Other Structures and Improvements | 3,315 | 266 | 3,049 | (431) | (3) | 473 | 436 | - | - | (7) | - | 2,914 | 234 | 2,680 |
| Office Equip, Furnishings & Fittings | 6,549 | 5,192 | 1,357 | 373 | - | 713 | 762 | - | - | - | - | 6,873 | 4,914 | 1,959 |
| Paintings | 52 | - | 52 | - | - | - | - | - | - | - | - | 52 | - | 52 |
| Parking Meters | 436 | 308 | 128 | - | - | 167 | - | - | - | - | - | 603 | 352 | 251 |
| Plant, Machinery & Equipment | 9,378 | 5,168 | 4,210 | - | 4 | 753 | 77 | - | - | - | - | 10,054 | 5,782 | 4,271 |
| | 177,997 | 21,273 | 156,724 | 68 | 1 | 13,477 | 3,965 | - | (123) | 30,871 | (3,869) | 218,325 | 20,122 | 198,203 |
| (b) Infrastructural Assets | | | | | | | | | | | | | | |
| Work in Progress | 5,018 | - | 5,018 | (4,796) | - | 3,490 | - | - | - | - | - | 3,712 | - | 3,712 |
| Bridges | 31,442 | 796 | 30,646 | - | - | 261 | - | - | - | - | - | 31,703 | 1,448 | 30,255 |
| Car parks | 9,241 | 120 | 9,121 | - | - | 30 | - | - | - | 4,435 | (12) | 13,706 | 202 | 13,504 |
| Public Conveniences | 1,801 | 56 | 1,745 | - | - | 126 | - | - | - | 338 | (77) | 2,265 | 6 | 2,259 |
| Reserves and Parks | 27,025 | 563 | 26,462 | 13 | 4 | 2,156 | 73 | - | - | 9,296 | (118) | 38,417 | 564 | 37,853 |
| River Works | 111,895 | 97 | 111,798 | - | - | 243 | - | - | - | 997 | - | 113,135 | 192 | 112,943 |
| Roads and Streets | 343,856 | 4,668 | 339,188 | 56 | - | 7,396 | - | - | - | - | - | 351,308 | 9,612 | 341,696 |
| Sewerage Schemes | 53,401 | 859 | 52,542 | 3,918 | - | 3,409 | - | - | - | - | - | 60,728 | 1,740 | 58,988 |
| Stormwater Drainage Schemes | 24,036 | 385 | 23,651 | 614 | - | 1,296 | 38 | - | - | - | - | 25,908 | 785 | 25,123 |
| War Memorials | 323 | 19 | 304 | (8) | 1 | 12 | - | - | - | 114 | (5) | 441 | 17 | 424 |
| Water Supply Schemes | 60,855 | 1,125 | 59,730 | 149 | 11 | 2,190 | 2 | - | - | - | - | 63,192 | 2,298 | 60,894 |
| Wharves | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 668,893 | 8,688 | 660,205 | (54) | 16 | 20,609 | 113 | - | - | 15,180 | (212) | 704,515 | 16,864 | 687,651 |
| Total Operational & Infra-structural Assets | 846,890 | 29,961 | 816,929 | 14 | 17 | 34,086 | 4,078 | - | (123) | 46,051 | (4,061) | 922,840 | 36,986 | 885,854 |

Fair Value of Land and Improvements

Council considers the carrying value of land and improvements to be the fair value.

Urban Portions of the State Highway Network

The ownership of urban portions of the State Highway Network is unclear although there is legal opinion indicating that the ownership resides with local authorities. Transit NZ maintains these highways in their entirety without any costs accruing to the local authorities.

As a consequence, even if ownership resides with local authorities, in practice Transit New Zealand controls the economic resources. Pending clarification of ownership and further consideration of the accounting issues which may arise, Council has not recognised the urban portion of the carriageway of the State Highway Network as an asset in these financial statements. The estimated distance of highway involved is 18

17 Property plant and equipment (cont.)

| | 2005/06 MDC PARENT | | CARRYING AMOUNT 1 JULY 05 | | WORK IN PROGRESS AND OTHER RECLASSIFICATIONS | | CURRENT YEAR DISPOSALS | | CURRENT YEAR IMPAIRMENT | | CURRENT YEAR TRANSFERS | | REVALN ADJUST COST | | REVALN ADJUST DEPN | | COST/REVALN 30 JUNE 2006 | | CARRYING AMOUNT 30 JUNE 2006 | | |
|---|----------------------|--------------------|---------------------------|----------|--|---------------|------------------------|-------------------|-------------------------|----------------|------------------------|--------------|--------------------|-------------------|--------------------|----------------|--------------------------|----------------|------------------------------|-------------------|--------------|
| | COST OR VALN \$000's | ACCUM DEPN \$000's | \$000's | \$000's | ACCUM DEPN \$000's | YEAR \$000's | ADJUST \$000's | DISPOSALS \$000's | YEAR \$000's | ADJUST \$000's | DISPOSALS \$000's | YEAR \$000's | ADJUST \$000's | DISPOSALS \$000's | YEAR \$000's | ADJUST \$000's | DISPOSALS \$000's | YEAR \$000's | ADJUST \$000's | DISPOSALS \$000's | YEAR \$000's |
| (a) Operational Assets | | | | | | | | | | | | | | | | | | | | | |
| Work in Progress | | | | | | | | | | | | | | | | | | | | | |
| Buildings | 1,423 | - | 1,423 | - | (31) | 381 | - | - | - | - | - | - | - | - | - | - | - | 1,773 | - | 1,773 | |
| Forest Crops | 21,087 | 797 | 20,290 | (23) | 94 | 1,861 | - | - | - | - | 398 | - | - | - | - | - | - | 23,042 | 1,172 | 21,870 | |
| Land | 377 | - | 377 | (1) | - | - | - | - | - | - | - | - | - | - | - | - | - | 376 | - | 376 | |
| Landfill | 55,625 | - | 55,625 | - | 2,518 | 1,243 | - | - | - | - | - | - | 809 | - | - | - | - | 59,625 | - | 59,625 | |
| Library Books | 6,872 | 3,881 | 2,991 | - | - | - | - | - | 570 | - | 457 | - | - | - | - | - | - | 6,872 | 4,338 | 2,534 | |
| Other Structures and Improvements | 3,427 | 2,352 | 1,075 | - | - | 187 | - | - | - | - | 135 | - | - | - | - | - | - | 3,614 | 2,487 | 1,127 | |
| Office Equip, Furnishings & Fittings | 3,165 | 232 | 2,933 | 37 | (348) | 505 | 7 | 3 | - | - | - | - | - | - | - | - | - | 3,315 | 266 | 3,049 | |
| Paintings | 5,962 | 4,770 | 1,192 | - | 31 | 572 | 90 | 89 | - | - | 460 | - | - | - | - | - | - | 6,475 | 5,141 | 1,334 | |
| Parking Meters | 52 | - | 52 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 52 | - | 52 | |
| Plant, Machinery & Equipment | 491 | 330 | 161 | - | - | 8 | 63 | 65 | - | - | 43 | - | - | - | - | - | - | 436 | 308 | 128 | |
| | 4,399 | 1,982 | 2,417 | 131 | 211 | 398 | 111 | 99 | - | - | 321 | - | - | - | - | - | - | 4,897 | 2,335 | 2,562 | |
| | 102,880 | 14,344 | 88,536 | 145 | 2,474 | 5,155 | 841 | 256 | - | - | 1,814 | - | 809 | - | - | - | - | 110,477 | 16,047 | 94,430 | |
| (b) Infrastructural Assets | | | | | | | | | | | | | | | | | | | | | |
| Work in Progress | | | | | | | | | | | | | | | | | | | | | |
| Bridges | 3,770 | - | 3,770 | - | (212) | 1,460 | - | - | - | - | - | - | - | - | - | - | - | 5,018 | - | 5,018 | |
| Car parks | 27,644 | 2,359 | 25,285 | 1 | - | 13 | - | - | - | - | 796 | - | 3,784 | (2,359) | - | - | - | 31,442 | 796 | 30,646 | |
| Public Conveniences | 7,111 | 234 | 6,877 | - | 1,141 | 49 | - | - | - | - | 98 | - | 940 | (212) | - | - | - | 9,241 | 120 | 9,121 | |
| Reserves and Parks | 1,801 | 29 | 1,772 | - | - | - | - | - | - | - | 27 | - | - | - | - | - | - | 1,801 | 56 | 1,745 | |
| River Works | 27,083 | 509 | 26,574 | (63) | (58) | - | - | - | - | - | 117 | - | - | - | - | - | - | 27,025 | 563 | 26,462 | |
| Roads and Streets | 96,673 | 355 | 96,318 | (1) | (6) | 496 | - | - | - | - | 96 | - | 14,732 | (353) | - | - | - | 111,895 | 97 | 111,798 | |
| Sewerage Schemes | 235,753 | 12,742 | 223,011 | (653) | (3) | 7,493 | - | - | - | - | 4,709 | - | 101,263 | (12,780) | - | - | - | 343,856 | 4,668 | 339,188 | |
| Stormwater Drainage Schemes | 47,219 | 2,180 | 45,039 | (794) | 17 | 7,385 | - | - | - | - | 825 | - | (409) | (2,163) | - | - | - | 53,401 | 859 | 52,542 | |
| War Memorials | 22,722 | 1,104 | 21,618 | 81 | 1 | 1,594 | - | - | - | - | 383 | - | (361) | (1,103) | - | - | - | 24,036 | 385 | 23,651 | |
| Water Supply Schemes | 321 | 17 | 304 | - | - | 2 | - | - | - | - | 1 | - | - | - | - | - | - | 323 | 19 | 304 | |
| | 53,581 | 2,832 | 50,749 | (1,974) | (97) | 2,118 | - | - | - | - | 1,189 | - | 7,130 | (2,799) | - | - | - | 60,855 | 1,125 | 59,730 | |
| | 523,678 | 22,361 | 501,317 | (145) | (2,474) | 20,610 | - | - | - | - | 8,241 | - | 127,079 | (21,769) | - | - | - | 668,893 | 8,688 | 660,205 | |
| Total Operational and Infrastructural Assets | 626,558 | 36,705 | 589,853 | - | - | 25,765 | 841 | 256 | - | - | 10,055 | - | 127,888 | (21,769) | - | - | - | 779,370 | 24,735 | 754,635 | |

17 Property plant and equipment (cont.)

| 2005/06 CONSOLIDATED | | COST OR VALN \$000's | ACCUM DEPN \$000's | CARRYING AMOUNT 1 JULY 05 \$000's | WIP & OTHER RECLASSIFICATIONS COST \$000's | ACCUM DEPN \$000's | CURRENT YEAR ADDNS \$000's | CURRENT YEAR DISPOSALS \$000's | DISPOSALS ADJUST \$000's | CURRENT YEAR IMPAIRMT \$000's | TFR ADJUST \$000's | REVALN COST ADJUST \$000's | REVALN DEPN ADJUST \$000's | COST/ REVALN 30 JUNE 2006 \$000's | ACCUM DEPR & IMPAIRMT \$000's | CARRYING AMOUNT 30 JUNE 2006 \$000's |
|-----------------------------------|---|----------------------|--------------------|-----------------------------------|--|--------------------|----------------------------|--------------------------------|--------------------------|-------------------------------|--------------------|----------------------------|----------------------------|-----------------------------------|-------------------------------|--------------------------------------|
| (a) Operational Assets | | | | | | | | | | | | | | | | |
| | Work in Progress | 3,025 | - | 3,025 | (31) | - | 2,917 | - | - | - | (3,097) | - | - | 2,814 | - | 2,814 |
| | Buildings | 59,308 | 1,475 | 57,833 | 94 | (23) | 1,864 | - | - | (700) | 1,180 | - | - | 61,746 | 2,971 | 58,775 |
| | Forest Crops | 377 | - | 377 | (1) | - | - | - | - | - | - | - | - | 376 | - | 376 |
| | Land | 78,314 | 484 | 77,830 | 2,518 | - | 1,243 | 570 | - | - | 531 | 809 | - | 82,845 | 543 | 82,302 |
| | Landfill | 6,872 | 3,881 | 2,991 | - | - | - | - | - | - | - | - | - | 6,872 | 4,338 | 2,534 |
| | Library Books | 3,427 | 2,352 | 1,075 | - | - | 187 | - | - | 135 | - | - | - | 3,614 | 2,487 | 1,127 |
| | Other Structures and Improvements | 3,165 | 232 | 2,933 | (348) | 37 | 505 | 7 | 3 | - | - | - | - | 3,315 | 266 | 3,049 |
| | Office Equip, Furnishings & Fittings | 6,036 | 4,821 | 1,215 | 31 | - | 572 | 90 | 89 | 460 | - | - | - | 6,549 | 5,192 | 1,357 |
| | Paintings | 52 | - | 52 | - | - | - | - | - | - | - | - | - | 52 | - | 52 |
| | Parking Meters | 491 | 330 | 161 | - | - | 8 | 63 | 65 | 43 | - | - | - | 436 | 308 | 128 |
| | Plant, Machinery & Equipment | 8,606 | 4,242 | 4,364 | 211 | 131 | 574 | 104 | 94 | 889 | 91 | - | - | 9,378 | 5,168 | 4,210 |
| | | 169,673 | 17,817 | 151,856 | 2,474 | 145 | 7,870 | 834 | 251 | (700) | (1,295) | 809 | - | 177,997 | 21,273 | 156,724 |
| (b) Infrastructural Assets | | | | | | | | | | | | | | | | |
| | Work in Progress | 3,770 | - | 3,770 | (212) | - | 1,460 | - | - | - | - | - | - | 5,018 | - | 5,018 |
| | Bridges | 27,644 | 2,359 | 25,285 | 1 | - | 13 | - | - | 796 | - | 3,784 | (2,359) | 31,442 | 796 | 30,646 |
| | Car parks | 7,111 | 234 | 6,877 | 1,141 | - | 49 | - | - | 98 | - | 940 | (212) | 9,241 | 120 | 9,121 |
| | Public Conveniences | 1,801 | 29 | 1,772 | - | - | - | - | - | 27 | - | - | - | 1,801 | 56 | 1,745 |
| | Reserves and Parks | 27,083 | 509 | 26,574 | (58) | (63) | - | - | - | 117 | - | - | - | 27,025 | 563 | 26,462 |
| | River Works | 96,673 | 355 | 96,318 | (6) | (1) | 496 | - | - | 96 | - | 14,732 | (353) | 111,895 | 97 | 111,798 |
| | Roads and Streets | 235,753 | 12,742 | 223,011 | (653) | (3) | 7,493 | - | - | 4,709 | - | 101,263 | (12,780) | 343,856 | 4,668 | 339,188 |
| | Sewerage Schemes | 47,219 | 2,180 | 45,039 | (794) | 17 | 7,385 | - | - | 825 | - | (409) | (2,163) | 53,401 | 859 | 52,542 |
| | Stormwater Drainage Schemes | 22,722 | 1,104 | 21,618 | 81 | 1 | 1,594 | - | - | 383 | - | (361) | (1,103) | 24,036 | 385 | 23,651 |
| | War Memorials | 321 | 17 | 304 | - | 1 | 2 | - | - | 1 | - | - | - | 323 | 19 | 304 |
| | Water Supply Schemes | 53,581 | 2,832 | 50,749 | (1,974) | (97) | 2,118 | - | - | 1,189 | - | 7,130 | (2,799) | 60,855 | 1,125 | 59,730 |
| | | 523,678 | 22,361 | 501,317 | (2,474) | (145) | 20,610 | - | - | 8,241 | - | 127,079 | (21,769) | 668,893 | 8,688 | 660,205 |
| | Total Operational and Infrastructural Assets | 693,351 | 40,178 | 653,173 | - | - | 28,480 | 834 | 251 | (700) | (1,295) | 127,888 | (21,769) | 846,890 | 29,961 | 816,929 |

18 Intangible Assets

| | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | |
|--|--------------------|--------------------|------------------------------|--------------------|
| | 2006/07 \$000's | 2005/06 \$000's | 2006/07 \$000's | 2005/06 \$000's |
| Software Cost | | | | |
| Balance 1 July | 1,393 | 1,315 | 1,241 | 1,189 |
| Additions | 216 | 78 | 90 | 52 |
| Balance 30 June | 1,609 | 1,393 | 1,331 | 1,241 |
| Accumulated amortisation & impairment | | | | |
| Balance 1 July | 761 | 505 | 640 | 397 |
| Amortisation expense (i) | 268 | 256 | 250 | 243 |
| Balance 30 June | 1,029 | 761 | 890 | 640 |
| Net book value | | | | |
| Balance 30 June | 580 | 632 | 441 | 601 |

(i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the income statement.

Amortisation & Depreciation

| | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|
| Depreciation | 12,036 | 11,803 | 10,391 | 10,055 |
| Amortisation | 268 | 256 | 250 | 243 |
| Amortisation of non current assets | 120 | 0 | 0 | 0 |
| Impairment of non-current assets | 259 | 0 | 0 | 0 |
| | 12,683 | 12,059 | 10,641 | 10,298 |

19 Investment Property

| | | | | |
|---|---------------|---------------|----------|----------|
| Balance at beginning of financial year | 57,584 | 54,023 | 0 | 0 |
| Additions from subsequent expenditure | 826 | 2,003 | 0 | 0 |
| Net gain/(loss) from fair value adjustments | 3,135 | 1,558 | 0 | 0 |
| Balance at end of financial year | 61,545 | 57,584 | 0 | 0 |
| Investment Property Income | 5,991 | 5,398 | 0 | 0 |
| Investment Property Expenses: | | | | |
| - Properties generating income | 1,549 | 1,371 | 0 | 0 |
| - Depreciation of non-current assets | 1,559 | 1,717 | 0 | 0 |
| - Amortisation of non-current assets | 138 | 13 | 0 | 0 |
| - Impairment of non-current assets | 259 | 0 | 0 | 0 |
| | 3,505 | 3,101 | 0 | 0 |

The fair value of the consolidated entity's investment property at 30 June, 2007 (30 June, 2006) has been arrived at on the basis of a valuation carried out at that date by, independent registered valuers not related to the consolidated entity. The valuation, which conforms to New Zealand Property Institute Practice Standard 3 - Valuations for Financial Reporting Purposes, was arrived at by reference to market evidence of transaction prices for similar properties.

20 Forestry assets

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Balance 1 July | 17,026 | 22,709 | 17,026 | 22,709 |
| Increases due to purchases | 271 | 197 | 271 | 197 |
| Gains/(Losses) arising from changes in fair value and harvesting of crops | (1,474) | (5,880) | (1,474) | (5,880) |
| Balance 30 June | 15,823 | 17,026 | 15,823 | 17,026 |

Joint Committee - Marlborough District Council and Kaikoura District Council

The forestry estate called Marlborough Regional Forest is managed as a joint committee consisting of Marlborough District Council (88.5%) and Kaikoura District Council (11.5%). The MRF forestry estate covers 2,901.7 stocked hectares as at 30 June 2007.

The stocked area consists predominantly of radiata pine with small areas planted in other species. The estate consists of six forest blocks - Para, Pukuka, Strachan Peak, Koromiko, Waikakaho and Speed. The age distribution forecast as at 30 June 2007 of the MRF estate ranges from 1-14 years 31%, 15-28 years 47% and 29-33 years 22%.

Financial Risk management strategies

Key financial risks arise from increase costs associated with logging/loads and cartage harvesting costs. Future yields in certain areas have shown lower volumes than expected which have been incorporated in the valuations. Independent registered valuers Alexander Haywood Ltd has valued land and improvements as at 30 June 2007. Buck Forestry Services Ltd has prepared the forestry crop valuations based on methodology recommended by the New Zealand Institute of Forestry. A pre-tax discount rate of 8% has been used in discounting the present value of expected cash flows.

21 Borrowings

| | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | |
|--------------------------------------|--------------------|--------------------|------------------------------|--------------------|
| | 2006/07 \$000's | 2005/06 \$000's | 2006/07 \$000's | 2005/06 \$000's |
| Total Loans | 33,930 | 30,482 | 0 | 302 |
| Maturities and Interest Rates | | | | |
| Maturity | | | | |
| Up to one year | 0 | 68 | 0 | 68 |
| One to two years | 0 | 234 | 0 | 234 |
| Two to five years | 33,930 | 30,180 | 0 | 0 |
| | 33,930 | 30,482 | 0 | 302 |
| Loans | 33,930 | 30,482 | 0 | 302 |
| Less Current Portion | 0 | 68 | 0 | 68 |
| Non Current portion | 33,930 | 30,414 | 0 | 234 |

MDC Holdings Limited

The weighted interest rate on the MDCHL BNZ loan is 8.35% (2006: 7.37%).

The MDCHL loan is secured by a first charge debenture against the assets and undertakings.

Other loans are secured by a mortgage over certain properties.

Council

Interest rates range from 5% to 7% (2006: 5% to 7%)

22 Reconciliation of Cash flows from Operating Activities with Reported Operating Surplus

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Reported Surplus/(Loss) After Taxation | 23,001 | 19,060 | 15,629 | 15,208 |
| Add/(Less) Non Cash Items | | | | |
| Depreciation and Amortisation | 12,683 | 12,059 | 10,641 | 10,298 |
| Assets Vested in Council | (3,095) | (4,151) | (3,095) | (4,151) |
| Movement in Deferred Tax | (389) | 159 | - | - |
| Runway Seal Provision | 359 | 200 | - | - |
| Landfill After Care Provision | 52 | 52 | 52 | 52 |
| Doubtful Debts Provision | - | 46 | - | (17) |
| (Gain)/Loss of Derivatives | (718) | (121) | - | - |
| (Gain)/Loss of Biological Assets | 1,474 | 5,880 | 1,474 | 5,880 |
| (Gain)/Loss on revaluation of Investments | (2,686) | (1,199) | 449 | (75) |
| | 7,680 | 12,925 | 9,521 | 11,987 |
| Changes in Working Capital Items: | | | | |
| (Increase)/Decrease in Stock | (33) | 114 | (24) | 85 |
| Increase/(Decrease) in employee entitlements | 189 | (67) | 91 | (67) |
| Increase/(Decrease) in Accounts Payable & Accruals | (902) | 488 | 1,712 | 1,705 |
| Increase/(Decrease) in Taxation Provision | 547 | (381) | 0 | 0 |
| (Increase)/Decrease in receivables & prepayments | 1,675 | 441 | 723 | (174) |
| | 1,476 | 595 | 2,502 | 1,549 |
| Items classified as Investing Activities: | | | | |
| Net gain on sale of fixed assets | (977) | (1,923) | (973) | (1,924) |
| Fixed Assets obtained on credit | 1,125 | 1,925 | - | (667) |
| Capital debtor | (1,023) | - | (1,023) | - |
| Other | 129 | - | 161 | - |
| Subdivision sales | 3,323 | 2,514 | 3,323 | 2,514 |
| | 2,577 | 2,516 | 1,488 | (77) |
| Net Cashflows from Operating Activities | 34,734 | 35,096 | 29,140 | 28,667 |

23 Major Budget Variations

Explanations for major variations from the budget figures in the 2006/07 Annual Plan are as follows:

Statement of Financial Performance

There was an increase in expenditure in the consents area \$1.6m – This was the result of increased demand in consent applications and has been offset by increased revenue. Other Income was greater than budget due to a number of factors including increased consent income \$1.477m; gain on asset sales \$0.967m; increased land subdivision contributions \$1.236m; property rentals \$0.861m and miscellaneous contributions to infrastructure \$0.858m.

Statement of Financial Position

The adoption of the International Financial Reporting Standards (IFRS) has resulted in a reclassification and renaming of several balance sheet categories as well as additional disclosures. The impact of IFRS is fully explained in the notes.

The revaluation of land and buildings has resulted in a \$45m addition to both the property plant and equipment as well as the revaluation reserve. The carry forward of capital expenditure to the 2007/08 year and the continuation of Internal borrowing, where possible, has resulted in the external borrowings being less than budgeted.

24 Related Parties

(a) Inter-group Transactions and Balances

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

These entities are as follows:

- MDC Holdings Limited – Marlborough District Council wholly owned
- Port Marlborough New Zealand Limited – MDC Holdings Limited wholly owned.
- Marlborough Airport Limited – Port Marlborough New Zealand Limited wholly owned.
- Marlborough Regional Forestry – Joint Committee of Marlborough District Council (88.5%) and Kaikoura District Council (11.5%)

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

| MDC Holdings | \$000's | \$000's |
|-------------------------------------|---------|---------|
| Transactions are: | | |
| Dividend received by Council | 505 | - |
| Services provided by Council | 13 | - |
| Services provided to Council | 10 | 24 |
| Loan repaid to Council | - | - |
| Balances are: | | |
| Accounts receivable by Council | 32 | - |
| Accounts payable by Council | 1,225 | 2 |
| Marlborough Airport Limited | | |
| Transactions are: | | |
| Rates paid to Council | 3 | 3 |
| Port Marlborough Limited | | |
| Transactions are: | | |
| Services provided by Council | 173 | 239 |
| Services provided to Council | 23 | 31 |
| Preference shares issued to Council | - | 425 |
| Rates paid to Council | 392 | 276 |

(b) Key Management and Members of Council

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with MDC (such as payment of rates, purchase of rubbish bags etc.). During the year the Council purchased catering goods and services from a business that Councillor Hope's wife has an interest amounting to \$1757.81. These goods and services were supplied on normal commercial terms. Apart from these transactions no Councillor or Senior Management Member has entered into related party transactions with the group.

25 Remuneration

Remuneration of the Chief Executive

For the year ended 30 June 2007, the Chief Executive of the Marlborough District Council, appointed under Section 42 (1) of the Local Government Act 2002, received a total remuneration package of \$250,930. For the year ended 30 June 2006, the total remuneration package was \$239,003. (The remuneration package includes an assessed benefit for the use of a motor vehicle, and fringe benefit tax thereon).

| Key Management Personnel Compensation | 2006/07 \$000's | 2005/06 \$000's |
|---|--------------------|--------------------|
| Salaries and other short term employee benefits | 1,431 | 1,295 |
| Post employment benefits | 0 | 0 |
| Other long term benefits | 0 | 0 |
| Termination benefits | 0 | 0 |

Key management personnel include the Mayor, Councillors, Chief Executive and other senior management team of the Marlborough District Council.

Remuneration of Elected Members

The total remuneration and value of other non-financial benefits received or payable to the Mayor and other Councillors were as follows:

| | 2006/07 \$000's | 2005/06 \$000's |
|-----------------|--------------------|--------------------|
| Alistair Sowman | 97 | 98 |
| Jenny Andrews | 42 | 38 |
| Andrew Barker | 50 | 43 |
| Graeme Barsanti | 24 | 22 |
| Cliff Bowers | 39 | 31 |
| Jill Bunting | 89 | 44 |
| Frank Connor | 22 | 22 |
| John Craighead | 28 | 27 |
| Liz Davidson | 56 | 41 |
| Gerald Hope | 33 | 33 |
| Francis Maher | 33 | 33 |
| Pat O'Sullivan | 22 | 22 |
| Graeme Taylor | 22 | 22 |
| Nigel Weetman | 22 | 22 |
| | 579 | 498 |

The Mayor and Councillor Barker are Directors of MDC Holdings Limited and each received Directors fees of \$6,000 (2006 \$6,000) in addition to the above.

Severance Payments

In accordance with Schedule 10, Section 19 of the Local Government Act 2002, the Council is required to disclose the number of employees who received severance payments during the year and the amount of each severance payment made as defined under that legislation.

For the year ended 30 June 2007 Council did not make any payments that required disclosure under the Local Government Act 2002 (2006:Nil).

26 Financial Instruments

Council has a series of policies to manage the risks associated with financial instruments. Council is risk adverse and seeks to minimise exposure from its treasury activities. Council has established Management and Investment policies which do not allow any transactions that are speculative in nature to be entered into.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Council, causing Council to incur a loss.

Financial Instruments which potentially subject the Marlborough District Council to credit risk principally consist of bank accounts, Local Authority Stock and Accounts Receivable.

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

A potential concentration of credit risk exists in respect of amounts owing from Transit New Zealand of \$1,251,696. This receivable is considered to be fully recoverable. Other accounts receivable balances are spread over a large customer base, therefore, minimising exposure to credit risk in respect of these debtors.

Account Receivable, Term Deposits, Accounts Payable and Accruals

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

Local Authority Stock

The fair value of Local Authority Stock is estimated based on current market value.

Term Debt

Apart from Port Marlborough Term Debt, the carrying amount is the fair value for each of these classes of financial instrument.

The fair value of the Port Marlborough portion of Term Debt is estimated based on current market rates available to the Company for debt of similar maturities.

Interest Rate Risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of an instrument will fluctuate due to changes in the market interest rates.

Cash Flow interest rate risk

Cash Flow interest rate risk is the risk that cash flows from an instrument will vary due to fluctuations in interest rates. Council has no exposure to Cash Flow risk a comparably small exposure to fair value risk because of the comparably small value of loans being fixed interest. Council's subsidiaries mitigate exposure to fair value and cash flow interest rate risk by having a mixture of floating and fixed loans and by the use of derivative products.

Currency Risk

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

Off Balance Sheet Risk

Interest rate swaps and forward rate agreements are entered into by Council subsidiaries to manage interest rate exposure.

Contracts have been entered into with various counterparties, having such credit ratings and in accordance with such dollar limits as set forth by authorised policies. No collateral or other security is required to support financial instruments with credit risk. While the group may be subject to credit losses up to the notional principal or contract amounts in the event of non-performance by its counterparts, it does not expect such losses to occur.

27 Consolidations

The Council has not consolidated the following entities into the Financial Statements:

- Housing for the Elderly Trust
- Destination Marlborough Trust
- Mayoral Drought Relief Trust

Consolidating the above entities' results is considered immaterial and would not significantly impact on the reported Financial Results.

28 Post Balance Date Events

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

29 Impact of the adoption of New Zealand equivalents to International Financial Reporting Standards

Effect of NZIFRS on the Council parent Balance Sheet as at 1 July 2005 and 30 June 2006

| | | Previous NZ GAAP 1 July 2005 \$000's | Effect on Transition to NZ IFRS \$000's | NZ IFRS 1 July 2005 \$000's | Previous NZ GAAP 30 June 2006 \$000's | Effect on Transition to NZ IFRS \$000's | NZ IFRS 30 June 2006 \$000's |
|---------------------------------------|-------|--|---|---|---|---|--|
| Current Assets | | | | | | | |
| Cash and Cash Equivalents | (a) | 11,403 | (1,180) | 10,223 | 12,864 | (2,638) | 10,226 |
| Trade and other Receivables | | 6,451 | - | 6,451 | 6,642 | - | 6,642 |
| Other Financial Assets | (a) | - | 1,172 | 1,172 | - | 2,646 | 2,646 |
| Inventories | | 136 | - | 136 | 51 | - | 51 |
| Non Current Assets held for Sale | | 468 | (225) | 243 | 321 | (225) | 96 |
| Total current assets | | 18,458 | (233) | 18,225 | 19,878 | (217) | 19,661 |
| Non Current Assets | | | | | | | |
| Trade & Other Receivables | (c) | - | 514 | 514 | - | 447 | 447 |
| Other Financial Assets | | 13,113 | (460) | 12,653 | 16,990 | (301) | 16,689 |
| Biological Assets | (f) | - | 22,709 | 22,709 | - | 17,026 | 17,026 |
| Property Plant and Equipment | (d&f) | 609,114 | (19,262) | 589,852 | 768,845 | (14,210) | 754,635 |
| Intangible Assets | (d) | - | 792 | 792 | - | 601 | 601 |
| Total Non current Assets | | 622,227 | 4,293 | 626,520 | 785,835 | 3,563 | 789,398 |
| Total Assets | | 640,685 | 4,060 | 644,745 | 805,713 | 3,346 | 809,059 |
| Current Liabilities | | | | | | | |
| Bank Current Account | | 968 | - | 968 | 650 | - | 650 |
| Trade and other Payables | (b&e) | 8,282 | 380 | 8,662 | 8,573 | 657 | 9,230 |
| Deposits Trust and Agencies | (b) | 1,330 | (1,330) | - | 1,707 | (1,707) | - |
| Employee Benefit Liabilities | (e) | - | 975 | 975 | - | 1,075 | 1,075 |
| Borrowings | | 1,062 | - | 1,062 | 68 | - | 68 |
| Total Current Liabilities | | 11,642 | 25 | 11,667 | 10,998 | 25 | 11,023 |
| Non Current Liabilities | | | | | | | |
| Landfill Aftercare Provision | | 473 | - | 473 | 526 | - | 526 |
| Employee Benefits | | 1,172 | - | 1,172 | 1,105 | - | 1,105 |
| Borrowings | | 288 | - | 288 | 234 | - | 234 |
| Total Non Current Liabilities | | 1,933 | - | 1,933 | 1,865 | - | 1,865 |
| Total Liabilities | | 13,575 | 25 | 13,600 | 12,863 | 25 | 12,888 |
| Ratepayers' Equity | | | | | | | |
| Accumulated funds | | 435,653 | 18,154 | 453,807 | 453,904 | 12,434 | 466,338 |
| Ordinary and Council Created Reserves | | 22,396 | - | 22,396 | 23,178 | - | 23,178 |
| Restricted Reserves | | 10,134 | - | 10,134 | 12,618 | - | 12,618 |
| Revaluation Reserve | | 158,927 | (14,119) | 144,808 | 303,150 | (9,113) | 294,037 |
| Total Ratepayers Equity | | 627,110 | 4,035 | 631,145 | 792,850 | 3,321 | 796,171 |

Effect of NZIFRS on the Council group Balance Sheet as at 1 July 2005 and 30 June 2006

| | | Previous NZ GAAP 1 July 2005 \$000's | Effect on Transition to NZ IFRS \$000's | NZ IFRS 1 July 2005 \$000's | Previous NZ GAAP 30 June 2006 \$000's | Effect on Transition to NZ IFRS \$000's | NZ IFRS 30 June 2006 \$000's |
|---------------------------------------|-----------|--|---|---|---|---|--|
| Current Assets | | | | | | | |
| Cash and Cash Equivalents | (a) | 13,417 | (1,181) | 12,236 | 14,477 | (2,638) | 11,839 |
| Trade and other Receivables | | 8,783 | - | 8,783 | 8,294 | 2 | 8,296 |
| Derivatives Financial Instruments | | - | - | - | - | 42 | 42 |
| Other Financial Assets | (a) | - | 1,172 | 1,172 | - | 2,646 | 2,646 |
| Inventories | | 338 | - | 338 | 224 | - | 224 |
| Tax refund due | | 410 | - | 410 | 791 | - | 791 |
| Non Current Assets held for Sale | | 468 | (225) | 243 | 321 | (225) | 96 |
| Total current assets | | 23,416 | (234) | 23,182 | 24,107 | (173) | 23,934 |
| Non Current Assets | | | | | | | |
| Deferred Taxation | | 490 | 68 | 558 | 456 | 161 | 617 |
| Trade and Other Receivables | (c) | - | 514 | 514 | - | 448 | 448 |
| Biological Assets | (f) | - | 22,709 | 22,709 | - | 17,026 | 17,026 |
| Other Financial Assets | | 6,113 | (459) | 5,654 | 9,565 | (301) | 9,264 |
| Investment Properties | (g) | - | 54,023 | 54,023 | - | 57,584 | 57,584 |
| Intangibles Assets | (d) | - | 810 | 810 | - | 632 | 632 |
| Property Plant and Equipment | (d,f,g&h) | 660,269 | (8,535) | 651,734 | 822,199 | (5,270) | 816,929 |
| Total Non current Assets | | 666,872 | 69,130 | 736,002 | 832,220 | 70,280 | 902,500 |
| Total Assets | | 690,288 | 68,896 | 759,184 | 856,327 | 70,107 | 926,434 |
| Non Current Liabilities | | | | | | | |
| Landfill Aftercare Provision | | 473 | - | 473 | 526 | - | 526 |
| Runway Reseal Provision | | 1,113 | - | 1,113 | 1,313 | - | 1,313 |
| Deferred Taxation | (i) | - | 7,652 | 7,652 | (115) | 7,985 | 7,870 |
| Employee Benefits | | 1,172 | - | 1,172 | 1,105 | - | 1,105 |
| Borrowings | | 33,468 | - | 33,468 | 30,414 | - | 30,414 |
| Total Non Current Liabilities | | 36,226 | 7,652 | 43,878 | 33,243 | 7,985 | 41,228 |
| Current Liabilities | | | | | | | |
| Bank Current Account | | 968 | - | 968 | 650 | - | 650 |
| Trade and other Payables | (b&e) | 10,179 | 420 | 10,599 | 12,211 | 355 | 12,566 |
| Deposits Trusts and Agencies | (b) | 1,330 | (1,330) | - | 1,707 | (1,707) | - |
| Derivatives Financial Instruments | | - | 301 | 301 | - | 222 | 222 |
| Employee Benefit Liabilities | (e) | - | 975 | 975 | - | 1,420 | 1,420 |
| Provision for Taxation | | 15 | - | 15 | 16 | - | 16 |
| Borrowings | | 1,062 | - | 1,062 | 68 | - | 68 |
| Total Current Liabilities | | 13,554 | 366 | 13,920 | 14,652 | 290 | 14,942 |
| Total Liabilities | | 49,780 | 8,018 | 57,798 | 47,895 | 8,275 | 56,170 |
| Ratepayers' Equity | | | | | | | |
| Accumulated funds | | 446,435 | 48,665 | 495,100 | 466,870 | 44,612 | 511,482 |
| Ordinary and Council Created Reserves | | 25,012 | - | 25,012 | 25,794 | - | 25,794 |
| Restricted Reserves | | 10,134 | - | 10,134 | 12,618 | - | 12,618 |
| Revaluation Reserve | | 158,927 | 12,213 | 171,140 | 303,150 | 17,220 | 320,370 |
| Total Ratepayers Equity | | 640,508 | 60,878 | 701,386 | 808,432 | 61,832 | 870,264 |

Effect of NZIFRS on the Council group Statement of Financial Performance for the year ending 30 June 2006

| | Consolidated | | | Marlborough District Council | | |
|---|----------------------|---------------------------------|---------------|------------------------------|---------------------------------|---------------|
| | Superseded Policies* | Effect of Transition to NZ IFRS | NZ IFRS | Superseded Policies* | Effect of Transition to NZ IFRS | NZ IFRS |
| | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's |
| Revenue | | | | | | |
| Rates | 36,662 | 86 | 36,748 | 36,941 | - | 36,941 |
| Subsidies and Grants | 9,469 | - | 9,469 | 9,469 | - | 9,469 |
| Interest | 1,343 | 113 | 1,456 | 1,343 | - | 1,343 |
| Dividends | - | - | - | 505 | - | 505 |
| Other Income | 46,327 | (2,993) | 43,334 | 29,310 | (1,916) | 27,394 |
| Other Gains/(Losses) | - | 3,484 | 3,484 | - | 1,923 | 1,923 |
| Total Revenue | 93,801 | 690 | 94,491 | 77,568 | 7 | 77,575 |
| Expenditure | | | | | | |
| Employee Benefit Expenses | 13,853 | 155 | 14,008 | 11,121 | 25 | 11,146 |
| Depreciation and Amortisation | 12,329 | (270) | 12,059 | 10,354 | (56) | 10,298 |
| Finance Costs | 3,377 | (1,138) | 2,239 | 47 | (1) | 46 |
| Other Operating Costs | (f) 39,525 | 5,916 | 45,441 | 34,957 | 5,920 | 40,877 |
| Total Expenditure | 69,084 | 4,663 | 73,747 | 56,479 | 5,888 | 62,367 |
| Operating Surplus/ (Deficit) before tax | 24,717 | (3,973) | 20,744 | 21,089 | (5,881) | 15,208 |
| Less Taxation | 1,444 | 240 | 1,684 | - | - | - |
| Net Surplus/(Deficit) After Taxation | 23,273 | (4,213) | 19,060 | 21,089 | (5,881) | 15,208 |

(a) Cash and Cash Equivalents

Under NZIFRS those term deposits and investments with a maturity period greater than three months have been reclassified as Other Financial Assets.

(b) Deposits, Trusts and Agency

Under NZ IFRS these have been included in Trade and other Payables. They were disclosed separately under previous NZ GAAP.

(c) Community Loans

Under NZIFRS community loans have been valued at the net present value of expected future repayments. Community loans are included in Trade & Other Receivables under NZIFRS.

(d) Intangible Assets

Computer software is separately disclosed as intangible assets under NZIFRS. They were previously included in Property, Plant & Equipment.

(e) Employee Entitlements

Under previous NZ GAAP these were included in Trade and Other Payables. They have been reclassified to Employee Benefit Liabilities under NZIFRS, sick leave has been recognised as a liability under NZIFRS.

Sick leave has been recognised as a liability under NZIFRS.

(f) Biological Assets

Under NZIFRS forestry assets have been revalued under NZIAS 41 and reclassified as Biological Assets at fair value. Forestry assets were previously included in Property, Plant & Equipment.

Under IFRS the gain or loss arising from changes in fair value is taken to Profit and Loss whereas under previous GAAP, it was taken to revaluation reserve.

As at transition date the revaluation increased the asset from \$18.7m to \$22.7m, an increase of \$4m. The amount of revaluation reserve transferred to accumulated funds was \$14.1 m.

As at 30 June 2006 the revaluation increased the asset from \$13.9m to \$17m an increase of \$3.1m. The amount of revaluation reserve transferred to accumulated funds was \$9.1m.

(g) Investment Property

Port Marlborough NZ Ltd has investment property. Under previous GAAP, these properties were accounted for at cost less accumulated depreciation in Property, Plant & Equipment. Under NZIFRS, investment properties are valued at fair value. As at the date of transition this change in classification and valuation method resulted in a change in value between Property Plant & Equipment and Investment Property of \$19.292m and a revaluation of investment property of \$34.731m.

(h) Port Marlborough NZ Ltd, Property Plant & Equipment

The Company elected to measure certain Property Plant & Equipment (land, buildings, jetties and wharfs) on transition to NZ IFRS at fair value and has adopted the revaluation model from that date. The effect of the revaluation to fair value is an increase in Property Plant & Equipment of \$30.832m at transition date and recording this increase in the asset revaluation reserve.

(i) Income Tax

Under superseded policies, the consolidated entity adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under NZ IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary difference arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

The effect of the above adjustments on the deferred tax balance is as follows:

| | CONSOLIDATED | | MARLBOROUGH DISTRICT COUNCIL | |
|---|-------------------------|------------------------|------------------------------|------------------------|
| | 30 June 2006 \$000's | 1 July 2005 \$000's | 30 June 2006 \$000's | 1 July 2005 \$000's |
| Deferred tax not recognised under previous GAAP | 7,824 | 7,584 | - | - |
| Net increase/(decrease) in deferred tax balances recognised in income statement | 240 | - | - | - |
| Asset revaluation reserve | 6,230 | 6,230 | - | - |
| Other - Retained earnings | 1,354 | 1,354 | - | - |
| Net increase/(decrease) in deferred tax balances recognised directly in equity | 7,584 | 7,584 | - | - |
| Net increase/(decrease) in deferred tax balances | 7,824 | 7,584 | - | - |

EQUAL EMPLOYMENT OPPORTUNITIES POLICY

The Council's Equal Employment Opportunities Policy is designed to achieve equal opportunity in the Council workplace. The policy involves the identification and elimination of institutional barriers that cause or perpetuate inequality. The following is a summary of the Council's policy:

For any given position, the best available person for the job will be appointed regardless of their gender, race, religion, disability or any other factor irrelevant to performance in the position.

The policy is implemented by way of a programme focused on three objectives:

1. Increasing knowledge and awareness of the principles of equal employment by ensuring that all staff are advised and understand their rights and responsibilities.
2. Achieving workplace equality in recruitment and performance management by ensuring systems and processes support the principles of equal employment.
3. Continual improvement by monitoring and reviewing organisational performance.

Council's Human Resources Co-ordinator is responsible for ensuring that any recruitment carried out by the Marlborough District Council follows the objectives and guidelines set out above. It is the co-ordinator's responsibility to ensure management and staff involved in recruitment processes have had training that incorporates an awareness of equal employment opportunities.

Activities undertaken to establish and maintain processes to provide for opportunities for Maori to contribute to the decision making processes of the Council

Council has identified that one of the principal barriers to Maori contribution to decision making processes is the strength of the financial and administrative base of Marlborough iwi. Appropriately, the resources available to iwi have been primarily directed at the settlement of claims before the Waitangi Tribunal. Council has identified that one of the most effective contributions it can make at this stage is to provide assistance to Marlborough iwi in satisfactorily concluding these claims. To that end it has worked with the Kurahaupo natural grouping of iwi comprising Ngati Apa Ki Te Ra To, Te Runanga o Ngati Kuia and Te Runanga A Rangitane O Wairau to assist them in their claim process. Similar offers of assistance have been made to other Marlborough iwi as they progress their claims.