

SELWYN PLANTATION BOARD LIMITED

Cost of Service

1996/97 BUDGET		1997/98 BUDGET
\$		\$
(5,697,751)	Revenue	(6,808,750)
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3,925,902	Maintenance and Operating Costs	4,839,097
255,322	Financing and Interest Costs	0
120,000	Depreciation	135,000
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4,301,224	Total Expenditure	4,974,097
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(1,396,527)	Net Profit Before Taxation	(1,834,653)
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Net Profit Before Taxation

Projected Net Profit Before Taxation 1998/99	\$2,031,000
Projected Net Profit Before Taxation 1999/00	\$3,445,000

Capital Expenditure

The capital expenditure of \$622,000 is provided for this year.

Planned Services

The nature of the business is a forestry company. Its primary activity is managing plantation reserves using environmentally satisfactory and commercially sustainable methods for:

- The establishment, culture, protection, maintenance and management of trees and other plants (mainly Radiata pine with some Douglas fir);
- The completion of forest surveys for working plan preparation; land utilisation and soil stabilisation; and timber (volume) assessments;
- The utilisation of forest produce from the Company's plantations;
- The prevention or control of fire;
- Grazing plantation reserves either by company stock or by leasing.

To maximise returns, wider based forestry activities may be undertaken including further land purchase for forest production, the establishment of a process plant for the manufacture and sale of timber and other forest products, and the provision of consultancy services.

The Company manages 13,000 hectares of land of which 9,858 hectares are stocked with an assessed wood volume at 31 March 1997 of 1.79 million tonnes.

Relationship to the Council

Selwyn Plantation Board Ltd is a local authority trading enterprise jointly owned by the Selwyn District Council (61%) and the Christchurch City Council (39%). The Council exercises influence on the Board through a Statement of Corporate Intent.

The Council's interest in the company is in accordance with its Strategic Objective: D8 (see pages 23-29).

The possible sale of the Council shareholding in Selwyn Plantation Board Ltd was the subject of a public consultation programme. The submissions have been considered and a final decision whether or not to sell will be made by the Council some time in the future.

Overall Service Objective

1. To operate a successful forest based business consistent with conservation and the provision of shelter objectives on the plains of Canterbury, involving:
 - Economically utilising the renewable resource base of the company's forests to maintain a sustainable dividend to its owners.
 - Acting as a good corporate citizen in all aspects including:
 - Innovative forest management to provide round wood of a quality suitable for both local and export consumption at a price that these markets will stand.
 - Sustained yield forest management that takes cognisance of, and makes allowances for, the vagaries of the Canterbury weather.
 - Acknowledging that plantations have a very important shelter function on the Canterbury plains.
 - Achieving a balance between the recreational use of forests and the commercial objectives of forestry.

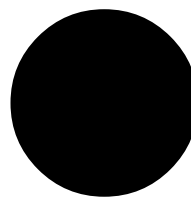
Objectives for 1997/98

2. Continue the scheduled planting programme.
3. Produce programmed wood volume.
4. Achieve projected internal rate of return.

Performance Indicators

- 2.1 Plant 230 hectares by 31 March 1998.
 - 3.1 Produce 105,000 tonnes of wood by 31 March 1998.
 - 4.1 6% IRR on tangible assets*
- * This performance target recognises the long term investment nature of plantation forestry and the fact that the company's stands will not achieve sustained normality until after the year 2000.

Sources of Funding



■ User Charges