

1. Executive summary for Environmental Wellbeing Committee

1.1 Forestry

1.1.1 Group overview

At the start of the year, budget tonnages of 75,681 and 14,222 were set for the Metro and Wairarapa Reserve forests respectively. Actual tonnages were 76,983 and 13,860 for these forests.

Like most years, there has been considerable variation in the net average weekly price received for the logs. This year, it varied between \$14 and \$34 a tonne, whereas in the previous year it varied between \$22 and \$52 a tonne.

During the year, an application was made for the carbon credits under the Government's Emissions Trading Scheme

Credits were received for the pre 1990 and post 1989 forests. With prices hovering around \$6 a unit at year end, no carbon credits were sold during the year.

As part of the Council's 2012-22 Long Term Plan, it was decided that the forestry cutting rights could be offered for sale through a staged process. Obtaining Expressions of Interest will occur in the first part of 2012/13. If these are judged to be acceptable then the process will proceed to a full tender.

Wellington and Porirua City Councils requested Greater Wellington sell its interest in the Spicer Forest at Porirua. A market value was obtained, which the cities agreed to pay and the transaction took place on 30 June 2012.

Looking ahead, Rayonier have indicated that they would like to harvest 100,000 tonnes a year on average over the next two years in the Metro forests compared to about 75,000 tonnes at present. Mature trees are available and there is provision in their contract for tonnages of this order.

1.1.2 Key results for the year

Metro Forests

Metro Forests harvested a total of 76,983 tonnes for a net return of \$2,070,185 before roading, and Wairarapa Forest 13,860 tonnes for an estimated \$186,885 after roads. The Metro figure exceeded budget (75,681) while the Wairarapa figure fell short of their budget (14,222).

We are still exporting the greater part of the harvest which places the Reserve Forests at a significant disadvantage compared with Metro. Even though their domestic prices are similar or greater than Metro. Both crews at Tauanui are working very difficult blocks at the moment and emphasis is no accidents rather than meeting production targets. Paku with his Despatch hauler is working the 1972 block and Mike Kai the 1965 block.

The Metro Forests have Log 6 and a 45 foot hauler working the Glider Club block and both Log 36 with the 70 foot hauler and log 7 as a ground based crew working Airstrip/Scrap Iron/Western Ridge and one block within Valley View.

Rayonier have indicated that they would like to complete all their contracted block which means that they will have to increase the number of crews working in the Forest. There are a number of very difficult blocks included such as M.O.T.74 and Kaika Mako.

We are to meet in early August to form a two year harvest plan. It is hoped we can then finalise the blocks to be included in the Expressions of Interest for the cutting rights. At the same time we can draw up a more long term cutting plan and decide what if, any carbon credits can be released.

The export market is still based on China although there is product going to both Korea and India. There have been warnings of changes downwards in China which have not come to pass.

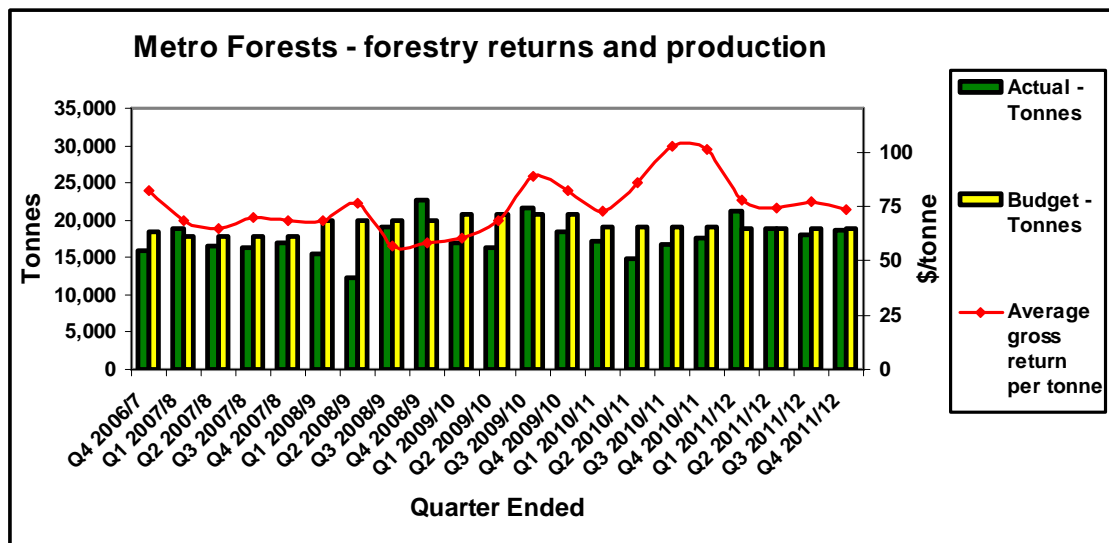
Wellington City Council and Porirua City Council have taken over Spicer Forest and have paid us \$380,000 for our interest in the Joint Venture.

KCDC have purchased a small part of Maungakotukutuku as part of their future dam site.

Rayonier have been granted a resource to ford the Horokiwi Stream and are talking timing with NZTA. We are not allowed in the stream from August till December.

Plantation Forests

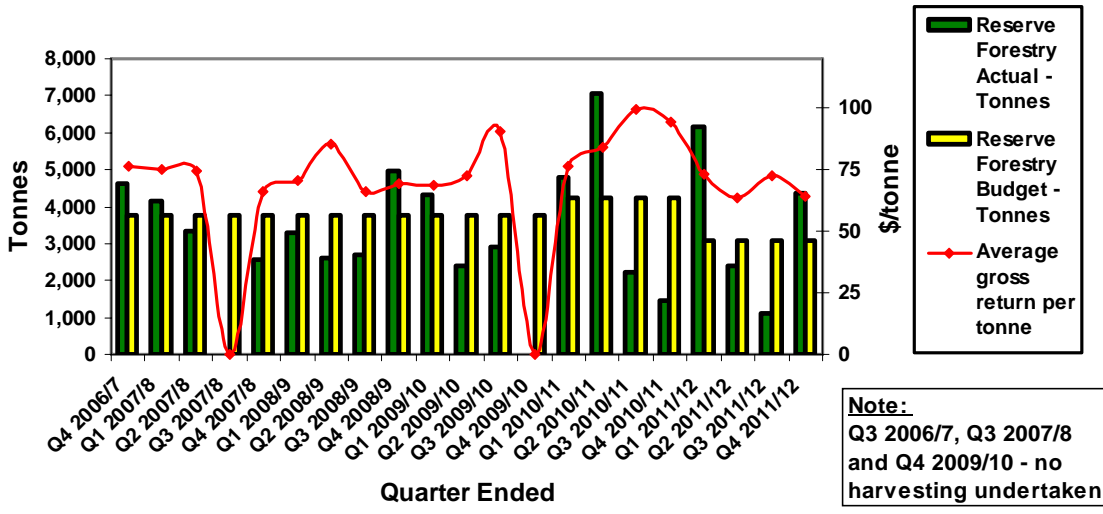
	Mill/port \$	\$ net return After harvest costs	M3	Average before roading
Quarter 1	1,650,647	617,562	21,121	29.24
Quarter 2	1,406,632	459,685	18,940	24.27
Quarter 3	1,394,002	526,036	18,011	29.18
April	429,435	144,541	5,963	24.24
Amy	485,773	148,755	7,110	20.92
June	453,215	174,606	5,837	29.91
Quarter 4	1,368,423	467,902	18,910	24.74
Year To Date	5,819,704	2,070,185	76,983	26.90
Annual Budget	5,651,700	3,896,083	75,681	23.20



.Reserve Forests

	Mill/port \$	\$ net return After harvest costs	M3	Average before roading
Quarter 1	450,605	117,153	6,168	18.99
Quarter 2	152,550	13,129	2,402	8.15
Quarter 3	79,218	14,722	1,066	13.42
April	36,217	7,571	482	15.72
May	143,305	19,560	2,224	8.8
June	105,046	20,700	1,518	13.64
Quarter 4	329,429	47,592	4,239	10.87
Year To Date	1,011,802	192,596	13,860	13.71
Annual Budget	934,200	292,300	14,222	20.55

Reserve Forests - forestry returns and production



2. Group financial summary

2.1 Financial summary for the Environmental Wellbeing Committee

2.1.1 Departmental financial reports – Plantation Forestry

Operating Statement

Plantation Forestry Income Statement For the 12 months ended 30 June 2012	YTD as at 30 June			Last Year	notes
	Actual \$000	Budget \$000	Variance \$000	FY Actual \$000	
Rates & Levies	-	-	-	-	
Government Grants & Subsidies	-	-	-	-	
External Revenue	5,834	5,662	172	6,051	1
Investment Revenue	2,398	371	2,027	6,146	2
Internal Revenue	-	20	(20)	10	
TOTAL INCOME	8,232	6,053	2,179	12,207	
less:					
Personnel Costs	244	278	34	269	
Materials,Supplies & Services	694	553	(141)	1,873	3
Travel & Transport Costs	25	30	5	20	
Contractor & Consultants	4,343	4,442	99	3,950	4
Grants and Subsidies Expenditure	-	-	-	-	
Internal Charges	109	107	(2)	103	
Total Direct Expenditure	5,415	5,410	(5)	6,215	
Financial Costs	1,099	903	(196)	942	5
Bad Debts	-	-	-	-	
Corporate & Department Overheads	92	92	-	87	
Depreciation	84	86	2	96	
Loss(Gain) on Sale of Assets / Investments	(170)	(4)	166	-	6
TOTAL EXPENDITURE	6,520	6,487	(33)	7,340	
OPERATING SURPLUS/(DEFICIT)	1,712	(434)	2,146	4,867	
Add Back Depreciation	84	86	(2)	96	
Other Non Cash	(1,959)	8	(1,967)	(4,409)	
Net Asset Acquisitions	(220)	(305)	85	(286)	
Net External Investment Movements	-	-	-	-	
NET FUNDING BEFORE DEBT & RESERVE MO	(383)	(645)	262	268	
Debt Additions / (decrease)	1,984	2,237	(253)	2,485	
Debt Repaid	(1,598)	(1,592)	(6)	(2,752)	
Net Reserves (Increase) / decrease	(3)	-	(3)	-	
NET FUNDING SURPLUS (DEFICIT)	-	-	-	1	

Cash from Operations – before depreciation, finance costs and capital expenditure

Plantation Forestry Cash from operations Before Interest and Capex	YTD as at 30 June			Last Year	notes
	Actual \$000	Budget \$000	Variance \$000	FY Actual \$000	
Operating Surplus/(Deficit)	1,712	(434)	2,146	4,867	
Add Back Depreciation	84	86	(2)	96	
Add Back Other Non Cash	(1,959)	8	(1,967)	(4,409)	
Add back Financial Costs	1,099	903	196	942	
Less net capital expenditure	(220)	(305)	(84)	(285)	
Cash From Operations Surplus/(Deficit)	716	258	289	1,211	7

Balance Sheet

Plantation Forestry	
Statement of financial position	2012
Balances as at 30 June	
Total Retained Earnings	5,436
Asset Revaluation Reserves	4,962
Departmental Reserves	58
Movement in Equity	216
Total Ratepayer Funds	10,672
Receivables	454
Accrued Revenue and Prepayments	175
Stocks	-
Total Current Assets	628
Total Investments	13,386
Net Fixed Assets	12,554
Capital Works In Progress	(176)
Total Non Current Assets	25,764
Total Assets	26,391
	-
Payables and Accrued Expenses	178
Employee Provisions and Accruals	47
Current Liabilities	225
Internal Debt	15,611
Total Liabilities	15,835
Net Assets	10,556

2.1.2 Departmental financial summary – Plantation Forestry

Plantation Forestry ended the year with a surplus of \$1,712k versus a budgeted deficit of \$434k. The major variances to budget are as follows

1. External Revenue: Continued higher than budgeted harvest volumes and log prices have resulted in income \$172k better than budget
2. Investment Revenue: Variance due to \$1,394k of income for both pre 1990 and current Carbon Credits and the revaluation gain being \$633k better than budget.

3. Materials supplies and services: Over budget due to cost of goods sold \$58k over budget due to higher than budgeted volumes harvested. And project materials \$220k. Savings in other categories bring the total variance down to (\$141k)
4. Contractors and consultants: Costs are largely harvest volume driven. Increased activity has resulted in an unfavourable variance of (\$99k)
5. Finance costs: Higher than budgeted debt volumes have resulted in an over budget debt carrying cost by (\$196k)
6. Loss/Gain on asset sales: The Spicer forest was sold to PCC and WCC at a gain of \$170k over net book value in June.
7. Adding back non cash items to the operating result leaves a full year cash surplus of \$716k which is better than the budget by \$289k

2.1.3 Departmental financial reports – Reserve Forestry

Operating Statement

Reserve Forests Income Statement For the 12 months ended 30 June 2012	YTD as at 30 June			Last Year	notes
	Actual \$000	Budget \$000	Variance \$000	FY Actual \$000	
Rates & Levies	-	-	-	-	
Government Grants & Subsidies	-	-	-	-	
External Revenue	979	937	42	1,341	1
Reserve Investment Revenue	-	-	-	-	
Other Investment Revenue	568	-	568	-	2
Unrealised Revaluation Gains	1,679	1,032	647	2,019	3
Investment Revenue	2,247	1,032	1,215	2,019	2
Internal Revenue	8	17	(9)	11	
TOTAL INCOME	3,234	1,986	1,248	3,371	
less:					
Personnel Costs	80	85	5	81	
Materials,Supplies & Services	113	118	5	186	
Travel & Transport Costs	3	6	3	3	
Contractor & Consultants	864	682	(182)	1,011	3
Grants and Subsidies Expenditure	-	-	-	-	
Internal Charges	84	81	(3)	93	
Total Direct Expenditure	1,144	972	(172)	1,374	
Financial Costs	1,091	1,086	(5)	891	
Bad Debts	-	-	-	-	
Corporate & Department Overheads	44	44	-	42	
Depreciation	34	35	1	34	
Loss(Gain) on Sale of Assets / Investments	-	-	-	-	
TOTAL EXPENDITURE	2,313	2,137	(176)	2,341	
OPERATING SURPLUS/(DEFICIT)	921	(151)	1,072	1,030	
Add Back Depreciation	34	35	(1)	34	
Other Non Cash	(2,084)	(945)	(1,139)	(1,854)	
Net Asset Acquisitions	-	(55)	55	(128)	
Net External Investment Movements	-	-	-	-	
NET FUNDING BEFORE DEBT & RESERVE MOVEMENTS	(1,129)	(1,116)	(13)	(918)	
Debt Additions / (decrease)	4,756	2,438	2,318	4,418	
Debt Repaid	(3,627)	(1,322)	(2,305)	(3,500)	
Net Reserves (Increase) / decrease	-	-	-	-	
NET FUNDING SURPLUS (DEFICIT)	-	-	-	-	

Cash from Operations – before depreciation, finance costs and capital expenditure

Reserve Forestry Cash from operations Before Interest and Capex	YTD as at 30 June			Last Year	notes
	Actual \$000	Budget \$000	Variance \$000	FY Actual \$000	
Operating Surplus/(Deficit)	921	(151)	1,072	1,030	
Add Back Depreciation	34	35	(1)	34	
Add Back Other Non Cash	(2,084)	(945)	(1,139)	(1,854)	
Add back Financial Costs	1,091	1,086	5	891	
Less net capital expenditure	-	(55)	55	(128)	
Cash From Operations Surplus/(Deficit)	(38)	(30)	(8)	(27)	4

Balance Sheet

Reserve Forests Statement of financial position Balances as at 30 June	2012
Total Retained Earnings	(3,246)
Asset Revaluation Reserves	2,759
Departmental Reserves	-
Movement in Equity	57
Total Ratepayer Funds	(430)
Receivables	35
Accrued Revenue and Prepayments	20
Stocks	-
Total Current Assets	55
Total Investments	10,696
Net Fixed Assets	4,478
Capital Works In Progress	166
Total Non Current Assets	15,340
Total Assets	15,396
Payables and Accrued Expenses	6
Employee Provisions and Accruals	7
Current Liabilities	12
Internal Debt	15,814
Total Liabilities	15,826
Net Assets	(430)

Negative net asset value is attributable to historic returns from logging operations not being sufficient to cover overheads, debt repayment and debt servicing costs

2.1.4 Departmental financial summary – Reserve Forestry

Reserve Forestry ended the year with a surplus of \$921k versus a budgeted deficit of (\$151k) The major variances to budget are as follows:

1. External revenue: Better than budgeted harvest volumes and prices will generate \$42k more income than budget.
2. Investment Revenue: Variance due to \$568k of income for both pre 1990 and current Carbon Credits and the revaluation gain being \$647k better than budget.
3. Contractors and consultants: Costs are largely harvest volume driven. Increased activity has resulted in an unfavourable variance of (\$182k)
4. Adding back non cash and financing items to the operating result leaves the full year cash deficit at (\$38k) which is \$8k worse than the budgeted deficit of (\$30k).