Duthie Joint Venture
McKay Joint Venture

STATEMENT OF INTENT FOR THE TWO FORESTRY JOINT VENTURES DUTHIE AND MCKAY FOR THE YEAR ENDED 30 JUNE 2027

Under the Forestry Rights Registration Act 1983, the Council has two Joint Venture Forestry Agreements. These are:

McKay Joint Venture	Established in 1995	Located at Ahititi
Duthie Joint Venture	Established in 1997	Located at Ararata (Hawera)

The joint ventures with the two partners are for an agreed share in the forestry harvest returns. The joint ventures were originally aimed at complementing the Council's own ongoing forestry activities.

The two joint ventures listed above are council-controlled organisations (CCO) as defined in the Local Government Act 2002 (LGA 2002). The ownership and operation of the joint ventures is as follows:

Duthie Joint Venture	
New Plymouth District Council	54.82%
J L & G C Duthie	45.18%

McKay Joint Venture	
New Plymouth District Council	56.50%
R B McKay & Others	43.50%

Each joint venture is covered by a formal legal document that specifies the details of the Agreement. The key factor in each of the Agreements is the ratio of return to each party upon the harvesting of each forest. Harvest returns are expected at the midlife of each forest (15-18 years) for production thinning and at maturity of each forest (25-35 years) for clear felling. The ratio of returns is calculated by comparing all costs to both the landowner and the Council (as owner of the trees) throughout the life of each forest. These inputs determine the respective percentages of return from sales of forest produce.

As each agreement has been negotiated between the joint venture partners there are variations in each document. A "combined" Statement of Intent is considered appropriate as the variations are minor.

To maximise revenue for both parties, the timing of each harvest has been delayed whilst waiting for log prices to improve. The recent increase in fuel (diesel) prices has also meant that a harvest at the current time would affect revenue. Log prices are forecast to rise in spring and diesel prices are beginning to drop, so a harvest contract will be tendered to be ready to begin harvesting of the Duthie Joint Venture in November 2026. This is earlier than previous statements of intent, which advised that the joint venture was in the growth phase of the lifecycle. The Statement of Intent for 2026/27 has been prepared under the assumption that harvesting for the Duthie Joint Venture will be completed by 30 June 2027. The Duthie Joint Venture will be wound up at the completion of harvesting.

The McKay Joint Venture is now expected to begin harvesting in the 2027/28 financial year. This is later than forecast in previous Statements of Intent, which expected harvesting to begin in October 2023, and subsequently in October 2025. Harvesting has been deferred due to an increase in fuel prices throughout the year to 30 June 2026 and the high cost of traversing Mt Messenger to Port Taranaki. It is considered prudent to defer harvesting of the forest to maximise proceeds from the sale of harvested logs. The McKay Joint Venture will be wound up at the completion of harvesting.

OBJECTIVES

The objectives of each joint venture are to tend and manage the forests in accordance with the best principles of silviculture to produce high quality saw logs for harvesting and to provide the New Plymouth District Council and the industry within the district a secure supply of saw logs. This activity complements the Council's own forestry investment activities.

CONTRIBUTION TO COMMUNITY PRIORITIES

These joint ventures are examples of public-private partnerships that enhance the growth and economic development of the district resulting in employment growth and creation of business opportunities. In addition, forestry enhances the environment thereby improving the quality of life of the district's residents.

GOVERNANCE

Management and control of the two forestry joint ventures is vested in the Council. The Council's Chief Executive is accountable to the Council for the operations of the two forestry joint ventures.

NATURE AND SCOPE OF ACTIVITIES TO BE UNDERTAKEN

The joint ventures will establish and maintain (and eventually harvest) forests of approximately the following sizes, in the following areas:

McKay Joint Venture	Ahititi	83.5 hectares
Duthie Joint Venture	Ararata (Hawera)	22.7 hectares

RATIO OF CAPITAL TO TOTAL ASSETS

The ratio of joint ventures funds (capital) to total assets is expected to be approximately 100 per cent for the next three years. The joint venture capital includes:

- Retained earnings
- Reserve funds
- Capital account

Total assets include the value of forestry.

ACCOUNTING POLICIES

The policies will be consistent with:

- The Joint Venture Deeds of Agreement and partnership accounting principles.
- The Financial Reporting Act 2013.
- New Zealand Generally Accepted Accounting Practise (NZ GAAP).
- New Zealand International Reporting Standards issued by the External Reporting Board.
- External Reporting Board pronouncements.

PERFORMANCE TARGETS

The joint ventures performance will be judged against the following measures:

Duthie Joint Venture

1. Financial performance

i) Statement of Comprehensive Revenue and Expense

	FY2027F $000's
Revenue	
Harvesting sales	2,417
Total revenue	**2,417**
Expenditure	
Operational expenditure	
Maintenance, horticulture	1
NPDC services	2
Other services	1
Audit fees	6
Harvesting expenditure	
Cost of timber sold	382
Management fees	38
Freight and cartage	563
Contractor payments	977
Other services	248
Total expenditure	**2,218**
Surplus	**199**
Attributable to:	
NPDC	105
Joint Venture partner	94

ii) Statement of Financial Position

	FY2027F $000's
Non-current assets	
Forestry	-
Total non-current assets/ total assets	**-**
Current liabilities	
Trade creditors and other payables	-
Total current liabilities/ total liabilities	**-**
Equity	
Accumulated funds	
Attributable to NPDC	-
Attributable to Joint Venture partner	-
Total equity	**-**

iii) Statement of Changes in Equity

	FY2027F $000's
Opening balance	**376**
Total comprehensive revenue and expense	199
Contribution from NPDC	15
Distribution to joint venture partners	(590)
Closing balance	**-**

iv) Statement of Cash Flows

	FY2027F $000's
Cash flows from operating activities	
Receipts from harvesting	2,417
Payments to suppliers and directors	(1,842)
Net cash from operating activities	**575**
Cash flows from financing activities	
Contributions from NPDC	15
Distributions to joint venture partners	(590)
Net cash from financing activities	**(575)**
Net cash from investing activities	**-**
Net movement in cash and cash equivalents	**-**
Cash and cash equivalents at 1 July	-
Cash and cash equivalents at 30 June	**-**

Depending on harvesting being completed by 30 June 2027, net proceeds are anticipated to be paid to the joint venture partners at the conclusion of the 2026/27 financial year, when the final accounts are audited.

2. Silviculture and harvesting

The performance of the joint venture is measured by ensuring that the trees are managed in accordance with accepted silvicultural practice.

Harvesting is anticipated to begin in late 2026 and is dependent on fuel and log prices which may affect the timing of the harvesting process.

McKay Joint Venture

1. Financial performance

i) Statement of Comprehensive Revenue and Expense

	FY2027F $000's	FY2028F $000's
Revenue		
Harvesting sales	-	7,575
Total revenue	**-**	**7,575**
Expenditure		
Operational expenditure		
Maintenance, horticulture	5	2
NPDC services	1	1
Other services	3	2
Audit fees	6	6
Harvesting expenditure		
Cost of timber sold	-	1,325
Management fees	-	137
Freight and cartage	-	1,369
Contractor payments	-	2,738
Other services	-	876
Total expenditure	**15**	**6,456**
(Deficit)/Surplus	**(15)**	**1,119**
Attributable to:		
NPDC	(15)	627
Joint Venture partner	-	492

ii) Statement of Financial Position

	FY2027F $000's	FY2028F $000's
Non-current assets		
Forestry	1,325	-
Total non-current assets/ total assets	**1,325**	**-**
Current liabilities		
Trade creditors and other payables	6	-
Total current liabilities/ total liabilities	**6**	**-**
Equity		
Accumulated funds		
Attributable to NPDC	558	-
Attributable to Joint Venture partner	761	-
Total equity	**1,319**	**-**

iii) Statement of Changes in Equity

	FY2027F $000's	FY2028F $000's
Opening balance	**1,319**	**1,319**
Total comprehensive revenue and expense	(15)	1,119
Contribution from NPDC	15	17
Distribution to joint venture partners	-	(2,455)
Closing balance	**1,319**	**1,319**

iv) Statement of Cash Flows

	FY2027F $000's	FY2028F $000's
Cash flows from operating activities		
Receipts from harvesting	-	7,575
Payments to suppliers and directors	(15)	(5,137)
Net cash from operating activities	**(15)**	**2,438**
Cash flows from financing activities		
Contributions from NPDC	15	17
Distributions to joint venture partners	-	(2,455)
Net cash from financing activities	**15**	**(2,438)**
Net cash from investing activities	**-**	**-**
Net movement in cash and cash equivalents	**-**	**-**
Cash and cash equivalents at 1 July	-	-
Cash and cash equivalents at 30 June	**-**	**-**

Depending on harvesting being completed by 30 June 2028, net proceeds are anticipated to be paid to the joint venture partners at the conclusion of the 2027/28 financial year, when the final accounts are audited.

2. Silviculture and harvesting

The performance of the joint venture is measured by ensuring that the trees are managed in accordance with accepted silvicultural practice.

Harvesting is not anticipated until 2028/29 and is dependent on tree growth and log prices which may either bring forward or delay the harvesting process. No silvicultural activities other than inspection and maintenance are required during 2026/27 or 2027/28.

DIVIDEND POLICY

Until the joint ventures reach a stage where timber can be sold, no return will be made to the owners by way of a dividend.

INFORMATION TO BE PROVIDED

The following information will be made available:

- A final Statement of Intent including an annual budget, for inclusion in the Council's Annual Plan process.
- A Statement of Intent prior to the commencement of each financial year.
- A six-monthly report on operations, including a comparison against the Statement of Intent and the budget within two months of the end of the first half of the financial year.
- An Annual Report for the year which will also be made available to the public within three months of the end of each financial year.

PROCEDURES FOR SHARE ACQUISITIONS

Not applicable in this case.

ACTIVITIES FOR WHICH COMPENSATION IS SOUGHT

There are no activities for which compensation is sought from the joint ventures. It is noted that under each Joint Venture Agreement the Council is responsible for funding the operational costs, including silviculture.

COMMERCIAL VALUE OF THE PARTNERS' INVESTMENT

The commercial value of the partners' investment in the joint ventures is estimated as equal to each joint ventures' partners' capital. This is based on:

(a) The rationale that each joint venture is a going concern.
(b) The fact that total assets are carried at their current net value as determined by independent valuers on an annual basis.

This estimate will be reassessed in the same manner on an annual basis. There is insufficient reliable data to make reliable estimates for future years given fluctuating exchange and commodity prices.

As at 30 June, the joint venture partners' capital values were (pre-tax):

	2025	2024
McKay Joint Venture	$1,320,000	$1,743,896
Duthie Joint Venture	$377,264	$627,963

CAPITAL EXPENDITURE FORECASTS
There are no anticipated capital expenditure projects over the next three years.