

SELWYN PLANTATION BOARD LTD

STATEMENT OF INTENT

FOR THREE YEARS ENDING 30 JUNE 2013

- 1. MISSION STATEMENT**
- 2. OBJECTIVES**
- 3. RELATIONSHIPS**
- 4. NATURE AND SCOPE OF ACTIVITIES**
- 5. SHAREHOLDING**
- 6. PERFORMANCE MEASURES**
- 7. GOVERNANCE STATEMENT**
- 8. REPORTING INFORMATION**
- 9. DIVIDEND POLICY**
- 10. ACCOUNTING POLICY**
- 11. ACQUISITION, DISPOSAL, PURCHASE OR TRANSFER OF SHARES**
- 12. VALUATION OF SHAREHOLDERS' INVESTMENT**
- 13. TARGET EQUITY TO TOTAL ASSETS RATIO**
- 14. FOREST STEWARDSHIP COUNCIL (FSC)**

1. MISSION STATEMENT

- 1.1 To liquidate the Company through a well managed and staged realisation consistent with Shareholders' expectations.

2. OBJECTIVES

- 2.1 The principle objective is to maximise value to Shareholders. During the realisation process the Company will continue to prudently manage the remaining assets. In doing this, we will:
 - 2.1.1. Structure an appropriate sales process for all assets through a considered and orderly process, endeavouring to maximise value.
 - 2.1.2. Protect and enhance the Company's competitive position throughout the realisation process and be responsive to our customers' needs.
 - 2.1.3. Ensure that forest management activities meet or exceed all statutory requirements and the standards associated with Forest Stewardship Council certification.
 - 2.1.4. Ensure that farming and land management practises are undertaken on a basis which minimises environmental effects, and protects biodiversity values, ecosystems and waterways.
 - 2.1.5. Be committed to excellence in health and safety in all aspects of the Company's operations.
 - 2.1.6. Provide a good faith culture that recognises the importance of our employees' contribution to the objectives of the Company. To acknowledge and reward staff in a fair and equitable way and provide opportunities for personal development.
 - 2.1.7. Be a good corporate citizen in the community and promote and encourage open communication with stakeholders, including contractors, customers, forest users, neighbours and others, about land management.
 - 2.1.8. Monitor the new Government policy in relation to the Emissions Trading Scheme and modify operations where appropriate or possible to minimise any adverse effects on the Company and maximise potential economic benefits.
 - 2.1.9. Continue to promote the provision of shelter on the Canterbury Plains.

3. RELATIONSHIPS

- 3.1 Selwyn Plantation Board Limited will continue to enhance the relationships between itself and the community with particular reference to:
 - 3.1.1. Shareholders
 - 3.1.2. Employees
 - 3.1.3. Customers
 - 3.1.4. Contractors
 - 3.1.5. Forest users
 - 3.1.6. The wider Canterbury community

4. NATURE AND SCOPE OF ACTIVITIES

- 4.1 The core business of the Company is to manage the Company's forests, farms, and land on a commercial basis using the most environmentally and commercially sustainable methods.
- 4.2 Monitor the actions, processes, and systems of the contracted forest manager who undertakes the forestry functions relative to the establishment, management, harvesting,

marketing, and distribution of the Company's forest estate.

- 4.3 Continued monitoring of opportunities and liabilities in relation to the Emissions Trading Scheme.
- 4.4 To engage in farming that utilises our land in conjunction with the realisation of such assets.
- 4.5 To encourage the provision of shelter on the Canterbury plains.

5. SHAREHOLDING

5.1 The Company is a CCTO (Council Controlled Trading Organisation)

5.2 The Shareholders are:

- 5.2.1. Selwyn Investment Holdings Limited 60.68%
- 5.2.2. Christchurch City Holdings Limited 39.32%

6. PERFORMANCE MEASURES

6.1 Achievement of the performance measures is subject to the realisation process.

6.2 Forest Operations

	<u>Forecast 2010/11</u>	<u>Forecast 2011/12</u>	<u>Forecast 2012/13</u>
Harvesting (tonnes)	150,000	90,000	90,000
Replanting (hectares)	300	180	180
Pruning/thinning (hectares)	280	220	220

6.3 Forest Stewardship Council (FSC)

Goal: Through the contracted forest manager to undertake forest activities in a manner which meets or exceeds the requirements as detailed in the PF Olsen Ltd Group Forest Management Plan.

Performance Objective 2010/2013

To ensure that the management of the forest estate is sustainable from an environmental, social, cultural and economic perspective.

Performance Measure 2010/11

Retention of the FSC accreditation through the PF Olsen Ltd Group Scheme.

6.4 Farm Operations

Goal: To apply appropriate and cost effective farm management practises to all farm land holdings.

Performance Objective 2010 to 2013

To manage the Company's farms to ensure Shareholder equity is protected and to maximise returns from all livestock and arable operations..

Performance Measure 2010/11

To monitor international and domestic financial and market trends (in consultation with professional advisors) to ensure SPBL's farms meet acceptable production and financial targets. Continue to review all farm inputs whilst maintaining animal health and welfare, irrigation efficiencies, arable production, personal and environmental standards, across all areas of the farm operations.

6.5 Financial

	<u>Target 2010/11</u>	<u>Target 2011/12</u>	<u>Target 2012/2013</u>
Ratio of equity to total assets	95%	95%	95%
Return before interest and Tax to total assets	1.0%	1.0%	0.0%
Return after tax to equity	1.0%	1.0%	0.0%

7. GOVERNANCE STATEMENT

7.1 Role of the Board of Directors (Board)

The Board is the essential link between the Shareholders and management.

The Board directs the affairs of the Company and directs the management of the business through the Chief Executive. They see their prime responsibility as setting the strategic direction of the Company, establishing goals and monitoring performance with a view to enhancing the prosperity of the Company and its Shareholders over time.

The Board discharges this responsibility through effective leadership, by being enabling, encouraging an environment for innovation and being responsive to the need for "change".

The Board seeks to maintain a balance between conformance and performance; dynamic strategic leadership, and governance best practise systems, procedures, policies and guidelines being in place that ensures:

- Business strategies, plans and budgets reflect short and long term horizons as well as encompass the Company's vision
- The performance of the Company is monitored against the strategic goals set by the Board and implemented by management
- Significant business risks are identified, monitored and mitigated
- The multitude of laws that affect the Company and its business activities are complied with

- Matters such as significant transactions, acquisitions and disposals, delegated authority limits and remuneration fixing and performance appraisal processes are reviewed and approved
- All matters of importance are brought to its attention through a system of prompt and comprehensive reporting

- The preparation of financial statements in accordance with generally accepted accounting practice that give a true and fair view of the financial position of the Company as at each balance date and results of its operations and cash flows for the year ended on that date are prepared
- The assets of the Company are safeguarded by ensuring that internal control procedures are in place in order to provide a reasonable assurance that the Company will function in a business-like and lawful manner
- Developing policies that provide guidance for management action in a broad range of circumstances including; risk management, human resources, code of ethics and conduct and Shareholder, public stakeholder relations
- That there is a reliable and timely system of performance measurement, recognition for achievement, reward for effort, innovation underpinned by adhering to the principles of good faith bargaining.

All Directors subscribe to the principles of good governance and code of best practice on corporate governance. Personal development is encouraged.

In discharging its responsibilities, the Board exercises on behalf of the Shareholders which have appointed it, all the powers of the Company not otherwise required by law or the constitution to be exercised by Shareholders.

Responsibility for the day to day operation and administration of the Company is delegated by the Board to the Chief Executive who is directly accountable to the Board through the Chairman.

The Board is particularly concerned to ensure that the principles, policies and guidelines which it adopts from time to time are maintained through the activities of the Company and in the transactions carried out by the Company.

7.2 Social, Ethical and Environmental Policies

The Board seeks to minimise the impact of its activities on the environment and comply with all relevant environmental laws and regulations.

In particular, the Board has made a commitment to Forest Stewardship Council accreditation through the Company's forest manager and the policy of triple bottom line reporting pursuant to which the Company operates on a fully sustainable basis and in doing so ensures that meeting the needs of the present does not compromise the ability to provide for the demands of the future.

In addition to carrying out its responsibilities to its Shareholders, the Company will be recognised as an excellent employer, committed to exceeding customer service expectations and will take into account the best interests of its contractors and suppliers, as well as the local communities and environments in which we operate.

7.3 Composition of the Board

The Board at present comprises five Directors, three of whom are appointed by Selwyn Investment Holdings Limited which holds all the A shares issued in the Company and two of whom are appointed by Christchurch City Holdings Limited who hold all the B shares issued in the Company.

The constitution of the Company requires that at no time may there be any more than two Directors who are also members or employees of a local authority which is a Shareholder.

The current Directors as at 1 February 2010 are:

- Ray Polson (Chairman)
- Sarah Astor
- Allan Berge
- Jens Christensen
- John Morten

7.4 Board Meetings

The Board meets on a regular basis throughout the year but also meets as and when required to deal with any specific matters that may arise between scheduled meetings.

The Board maintains overall accountability has reserved certain items for its review and approval, including the annual and interim results; annual management plans, significant transactions, external audit, legislative compliance, business risk profile and Shareholder, public and media relations.

The Board is supplied, in a timely manner, with information in a form and of a quality appropriate to enable it to discharge its duties.

7.5 Relations with Shareholders

The Company reports its financial results on a regular basis to its Shareholders and seeks to maintain a regular dialogue with Shareholders.

The Company will endeavour to operate on a “no surprises” basis with regard to all issues of relevance to Shareholders.

7.6 Committees of the Board

The Board is responsible for ensuring that a system of internal controls to safeguard Shareholders’ investments and the business assets are being maintained and are subject to regular review.

The Board has two standing committees – an Audit and Risk Committee, and a Land Development and Use Committee. The Audit and Risk Committee purpose is assisting Directors by providing a reasonable basis for them to make proper judgements as to the financial position, compliance and prospects of the business.

The Audit and Risk Committee comprises three Directors, and as per its Terms of Reference meets at least twice a year and reviews the business planning process, budget, annual and half-yearly financial statements and the other financial documents before they are submitted to the Board for approval. The Committee considers the appointment of auditors, receives their report and ensures that appropriate actions are taken and relationships are maintained with the auditors. The Audit and Risk Committee of the Board assists the Board to establish remuneration policies and practices and to set and review remuneration of the Company’s Chief Executive Officer and other senior executives.

The Land Development and Use Committee purpose is to advise and assist with all land related sales and purchases, re-zoning, lease, and any other identified opportunities which require response or review on a more regular basis than the scheduled Board meetings.

7.7 Code of Ethics

An important goal of the Company is to develop and maintain a culture built around honesty and integrity of all Directors, officers and employees.

These values underpin a number of policies that the Company has across many areas.

8. REPORTING INFORMATION

8.1 The Company will maintain regular reporting to the Shareholders in accordance with statutory requirements of the Local Government Act 2002, Companies Act 1993 and the

Financial Reporting Act 1993 and in particular will:

- 8.1.1. Within three months after the end of each financial year produce an annual audited financial report. The annual audited financial report will be made available to the Shareholders prior to being made available to the public.

- 8.1.2. Within forty five days of the end of the half year produce interim financial statements. The half yearly report will contain a Chief Executive's commentary and financial year-end forecasts.
 - 8.1.3. Produce other information as may be agreed between the Shareholders and the Company or such other information as may significantly affect the specific objectives.
- 8.2 Triple Bottom Line reporting means that we will report on aspects of our social, environmental and economic performance. The Company will fulfil the above reporting through Forest Stewardship Council (FSC) certification and independent auditing and will report against the FSC criteria and objectives of sustainable development. This will be carried out in consultation with the contracted forest manager.
- 8.3 To maintain FSC certification, the Company is required to manage and monitor its activities in accordance with a set of standards, based on the FSC principles and criteria.

The Company has clarified its policies and identified a series of management actions to support our goal of operating well managed forests, taking account of social, environmental and economic elements. In some areas, a 'business as usual' approach is appropriate. For example, the Company already recognises the importance of forests to recreational users. The Company already reports on financial/economic information. Each year, the Company will select some social and environmental dimensions for reporting purposes.

9. DIVIDEND POLICY

- 9.1 The dividend policy is to pay a minimum annual dividend of 60% of Surplus After Tax excluding any gain on sale of property, plant and equipment and investments or loss on sale of property, plant and equipment and the write down of any investment or any movement in the forest valuation or any movement in the revaluation of property, plant and equipment.
- 9.2 The annual dividend shall be declared by 31 August of each year and will be paid on the last day of the month in which the Annual General Meeting is held. The Annual General Meeting will be held on or before 30 September of each year.
- 9.3 An interim dividend based on the half yearly result will be paid at the discretion of the Directors.

10. ACCOUNTING POLICY

- 10.1 The Company has adopted accounting policies that are consistent with the New Zealand International Financial Reporting Standards issued by the New Zealand Institute of Chartered Accountants and in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

The Company adopted the NZ IFRS for the accounting period commencing 1 April 2006.

11. ACQUISITION, DISPOSAL, PURCHASE OR TRANSFER OF SHARES OR ASSETS

- 11.1 Should the Company wish to subscribe for, acquire, or purchase securities or assets in another company or organisation/business, this will be achieved by a simple majority vote of the Board subject to the Companies Act 1993 and its amendments.
- 11.2 When the subscription or acquisition, or disposal, of any other business or company or organisation by the way of shares or assets is considered by the Directors to be significant

to the Company's business operations, it will be subject to consultation with the Shareholders. (Significant is defined as a limit of \$5 million or 10% of total assets, whichever is the lower.)

- 11.3 The disposal of SPBL's category 1 assets (strategic land holdings) require Shareholder approval. For clarity a schedule of category 1 assets is attached. All SPBL assets that are not defined as category 1 can be disposed of without Shareholder approval.
- 11.4 Should a Shareholder wish to sell all or part of its holding to a third party, pre-emptive rights will apply.

12. VALUATION OF SHAREHOLDERS' INVESTMENT

- 12.1 On an ongoing basis, the commercial value of the Shareholders' investment is estimated to be the Equity as shown in the latest audited accounts of the Company.
- 12.2 Each 3 years, the Directors or Shareholders, at their cost, may request a confirmation of the Shareholders' investment by an independent assessment. The manner and timing of the assessment will be determined by the purpose for which it is undertaken, or by the terms of the request of the Shareholders.
- 12.3 As at 30 June 2009, the forests were valued for accounting purposes at \$19,180,000.
- 12.4 As at 30 June 2009, Land, Buildings, Property, Plant and Equipment were valued for accounting purposes at \$50,660,000.

13. TARGET EQUITY TO TOTAL ASSETS RATIO

- 13.1 The gearing ratio of the Company shall not extend beyond 40% debt and 60% Shareholders equity without Shareholders' approval.

14. FOREST STEWARDSHIP COUNCIL (FSC)

- 14.1 FSC certification means that the Company through the PF Olsen Ltd Group Scheme has been independently audited and certified against the FSC's set of ten principles and associated criteria for well managed forests. FSC seeks to support environmentally appropriate, socially beneficial and economically viable management of the world's forests.

15. URBAN DEVELOPMENT STRATEGY

- 15.1 The Company will take the Urban Development Strategy into account when setting its long term land-use strategy.

FOR THREE YEARS ENDING 30 JUNE 2013

Category 1 - SPBL Assets
As Defined by Section 11.3 of the Statement of Intent

Category 1 assets

#	Block Name	Area
	Norwood	18.17 ha
	Holmes	493.92 ha
	Mulligans	52.82 ha
	Wrights 2	26.50 ha
	HQ/Nursery	16.86 ha
	Joblins	30.76 ha
	McHughs	43.83 ha

Statement of Accounting Policies for the Year Ended 30 June 2009

Reporting Entity

Selwyn Plantation Board Ltd (SPBL) is registered under the Companies Act 1993 and incorporated in 1989. SPBL is a Council Controlled Trading Organisation as defined by section 6 of the Local Government Act 2002.

SPBL is a limited liability company incorporated and domiciled in New Zealand. It is a subsidiary of Selwyn Investment Holdings Limited and carries out a forestry, farming and land utilisation business on the plains and foothills of Canterbury. The company has designated itself as a profit orientated entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The shareholders are: Selwyn Investment Holdings Limited (60.68%) and Christchurch City Holdings Limited (39.32%).

The financial statements of SPBL are for the year ended 30 June 2009. The financial statements were authorised for issue by the Directors on 28 August 2009.

Basis of Preparation

Statement of compliance

The financial statements of SPBL have been prepared in accordance with the requirements of the Local Government Act 2002, the Companies Act 1993, the Financial Reporting Act 1993 and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalent to IFRS.

Compliance with NZ IFRS ensures that the financial statements comply with International Financial Reporting Standards (IFRS).

Measurement base

The financial statements have been prepared on an historical cost basis, modified by the revaluation of certain non-current assets.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and the functional currency of SPBL is New Zealand dollars.

Changes in accounting policies

The accounting policies set out below have been applied consistently with the previous year.

Standards and Interpretations Issued and not yet Adopted

There are no standards, interpretations, and amendments that have been issued, but are not yet effective other than NZ IAS 1, NZ IAS 23, NZ IFRS 8 and NZ IAS 32 that SPBL has not yet applied.

It has not been determined what, if any, implications these have on the financial statements.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

Revenue

Revenue is measured at the fair value of consideration received.

Revenue from sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods.

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

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, unless they are capitalised as part of the cost of an asset. Borrowing costs are capitalised only to assets that take more than 1 year to construct and are cash generating.

Income tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current period, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting surplus nor taxable surplus.

Deferred tax is recognised on taxable temporary differences arising on investments except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that they will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Inventory

Inventory held for use in the production of goods and services are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to value the rate.

The write down from cost to net realisable value is recognised in the statement of financial performance.

Livestock

Livestock is valued in accordance with NZ IAS 41 at its fair value less estimated point of sale cost.

Livestock was valued at fair market values as at 30 June 2009 by Mr Brian Brice of Hazlett Rural, Stock and Station Agent.

Financial assets

SPBL classify their financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets at fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determine the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of financial performance.

Purchases and sales of investments are recognised on trade-date, the date on which SPBL commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and SPBL have transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. SPBL uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

(i) Financial assets at fair value through profit or loss.

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date.

After initial recognition, they are measured at their fair values. Gains or losses on re-measurement are recognised in the statement of financial performance.

Currently, SPBL does not hold any financial assets in this category.

(ii) Loans and receivables.

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance. Loans and receivables are classified as 'trade and other receivables' in the statement of financial position.

Currently, SPBL has trade and other receivables, tax refund and short-term deposits in this category.

(iii) Held to maturity investments.

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that SPBL have the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

Currently, SPBL does not hold any financial assets in this category.

(iv) Financial assets at fair value through equity.

Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above.

This category encompasses:

- Investments that SPBL intends to hold long-term but which may be realised before maturity;
and
- Shareholdings that SPBL holds for strategic purposes.

After initial recognition, these investments are measured at their fair value with valuations performed by an independent valuer with sufficient regularity to ensure no investments are included at a valuation that is materially different from fair value. The valuation changes are recognised and held in a revaluation reserve.

Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the statement of financial performance. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the statement of financial performance even though the asset has not been derecognised.

Currently SPBL has unlisted shares in this category.

Impairment of financial assets

At each balance date, SPBL assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of financial performance.

Property, Plant and Equipment

Property, plant and equipment of SPBL consist of:

- Farm land, other land, buildings, improvements, plant and machinery, motor vehicles, furniture and fittings and computer equipment.

Property, plant and equipment is shown at cost of valuation, less accumulated depreciation and impairment losses. Farm land and other land are not depreciated.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to SPBL and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings:		
Wooden	40 years	(2.5%)
Brick	50 years	(2.0%)
Improvements	10-50 years	(2.0%-10.0%)
Heavy plant and machinery	2-10 years	(10.0%-48.0%)
Other plant and machinery	5-10 years	(10.0%-20.0%)
Motor vehicles	5 years	(20.0%)
Furniture and fittings	5-10 years	(10.0%-20.0%)
Computer equipment	5 years	(20.0%)

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Revaluation

Those asset classes that are revalued are valued either on a three yearly or yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

If there is a material difference, then the relevant asset classes are revalued.

Farm Land - Farm land is revalued annually at fair value as determined from market-based evidence by an independent valuer. The current valuation was performed by Property Advisory Ltd, Registered Valuers and the valuation is effective as at 30 June 2009.

Other Land and Buildings - Other land and buildings are valued on a three yearly basis at fair value as determined from market-based evidence by an independent valuer. The most recent valuation of SPBL Other Land and Buildings was performed by Property Advisory Ltd, Registered Valuers and the valuation is effective as at 30 June 2009.

Accounting for Revaluations - SPBL account for revaluations of property, plant and equipment on an asset by asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for each 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 off-sets 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 asset.

Forestry assets

Forestry assets are revalued annually at fair value less estimated point of sale costs in accordance with NZ IAS 41. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. Some significant assumptions regarding log prices and interest rates are made in performing this valuation. The forest was revalued as at 30 June 2008 pursuant to a Directors' valuation. The forest is independently revalued every three years with the most recent valuation being effective as at 30 June 2009 and completed by PF Olsen Ltd.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the statement of financial performance.

The costs to maintain the forestry assets are included in the statement of financial performance.

Intangible Assets

Software acquisition

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use, the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of financial performance.

The useful lives and associated amortisation rates for software have been estimated as follows:

Software	5 years	20%
----------	---------	-----

Impairment of Non-financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial performance.

For assets not carried at a revalued amount (other than goodwill), the reversal of an impairment loss is recognised in the statement of financial performance.

Goods and Service Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to the investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Employee Benefits

Short-term benefits

Employee benefits that SPBL expect to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, bonus accruals, and sick leave.

SPBL recognise a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that SPBL anticipate it will be used by staff to cover those future absences.

SPBL recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Provisions

SPBL recognise a provision for future expenditure of uncertain or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Leases

Operating leases – An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Critical accounting estimates and assumptions

In preparing these financial statements SPBL has made estimates and assumptions concerning the future. These estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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:

Bankside provision

Note 14 comments on the exposure of SPBL in relation to the estimates and uncertainties surrounding the Bankside provision.

Forest valuation

The forest valuation is calculated based on assumptions of current costs and revenues discounted to present value. The valuation conforms with NZ IAS 41 Agricultural Standards.