CASTLE ROCK FOREST PARTNERSHIP

MINUTES OF ANNUAL GENERAL MEETING
HELD AT WAIROA WAR MEMORIAL HALL AND THE PROPERTY
ON 22nd APRIL 2018 AT 8:30AM

PRESENT
Brian Hicks, Brockhurst Forests Limited (Bob & Mary Gray), Grant Hoffmeister, Roger Dickie (No 13) Limited, Roger Dickie.

ATTENDING
Steve Bell, Rory Bennison, Nathan Wallace, Richard Airey (Forest Management (NZ) Limited), Will Dickie, Richard Bourne, Grant Morris (Roger Dickie (NZ) Limited), Jeff Whitlock, Margaret Prince (Moore Stephens Markham's Waverley)

APPOINTMENT OF CHAIRMAN
Nominations were called for the position of Chairman for this meeting.
Grant Hoffmeister/Brian Hicks THAT Bob Gray be appointed Chairman for this meeting.

CARRIED

APOLOGIES AND PROXIES
Arnaud Jean George, Bam Bam Forestry Limited, Blair Anthony John Perrin, Craig Coulam, Forest End Limited, Geoffrey Dangerfield, Glen Vaughan Limited, J L Black Investments Limited, Keat Cairns Investments Limited, Louise Waller, Marina Anne Waller, Michelle Finlayson, Moss-Cliff Endeavours Limited, Nga Totara Limited, Ngahere Enterprises Limited, Petrah Limited, R & C Hooper Limited, Richard Scott Ellison, Rockwood Forestry Limited, Steprae Forest Holdings Limited, Tayco Enterprises Limited. Proxies were held for the above named, establishing a quorum for the meeting.
Mary Gray/Grant Hoffmeister THAT apologies and proxies be sustained.

CARRIED

MINUTES OF THE PREVIOUS MEETING
The Minutes of the April 2017 general meeting had been circulated.
Margaret Prince as Proxy for Roger Dickie (No 13) Limited/Roger Dickie THAT the minutes be confirmed. CARRIED

ARISING FROM THE MINUTES
Nil

REPORTS AND DRAFT FINANCIAL STATEMENTS
The reports from Roger Dickie, Forest Management (NZ) Ltd, PF Olsen's 2018 Tree Crop Valuation and the 2018 Draft Financial Statements were tabled and discussed.

PUBLIC LIABILTY INSURANCE
Grant Hoffmeister/Brian Hicks THAT Public Liability Insurance be effected for $10 million.

CARRIED

ADMINISTRATION
Brian Hicks/Grant Hoffmeister THAT the administrators' remuneration be at a rate of $378 (GST excl.) per month. CARRIED

BUDGET/CASHFLOW
Mary Gray/Brian Hicks THAT the Budget Cashflow Statement for the year to 28th February 2019 be approved.

CARRIED

It was stressed that with roadlining and harvest planning going on, figures were best estimates. There are a number of variables that can affect the cost and timing of activities, such as weather, availability of roading and harvesting contractors and crews etc.

It was noted the NZU sales shown in March are a drawdown of funds from the partnerships investment account where funds from the sale of NZUs are held. It is to cover the tax partners are required to pay on the sale of NZUs. It is also shown as a distribution, to partners, in April. Any further amounts shown on the NZU sales line during the year are not further sales but are draw downs from the investment account. The balance of funds remain in the interest bearing investment account (as shown in Financial Statements) to cover ongoing holding costs thus eliminating share calls as voted for in 2017.

General Business:

Presentation
Steve Bell and Rory Bennison from FMNZ gave a harvest planning presentation. *(the presentation can be viewed on your forest's page of the website)* and there was a site visit with Forest Management staff and a general Q & A session in the field.

ETS: (Emissions Trading Scheme)
William Dickie gave attendees an update regarding the ETS and thoughts re the balance of liability free NZUs held. The Government announced the ETS will be reviewed in late 2019 and there seems to be a general consensus within the industry that further upside in the price of carbon is likely given the Green influence in the coalition. The manager is not looking to sell additional NZUs at this time but will continue to monitor the market.

Tax
Jeff Whitlock from Markham's Accountants (the partnerships accountant) commented that harvest income in some cases can be spread back over the 3 previous years as well over the harvesting years. Jeff stressed that as everyone's situation is different partners should take accounting advice – sooner rather than later. *(note: Jeff can be contacted at Moore Stephens Markham's Wanganui and Waverley)*

Post harvest options
What happens after harvest is an often asked question and was a key discussion point at the 2017 RDNZ Harvest and Beyond conference.

Each winter the harvested area will be replanted from harvest receipts. This maintains and enhances the value of the land asset. To leave it unplanted would see the property revert to weeds and devalue significantly.

During the last year of the harvest, partners will need to vote re the future of the partnership and forest.

Options are:
1) To continue for another rotation for partners beneficiaries.
2) To sell the newly planted forest and dissolve the partnership.

If the majority wish to sell then the property will be listed for sale. Bearing in mind it will likely take time to find a buyer for the newly planted forest.

If the majority want to retain the asset for their beneficiaries, then those who want to retire from the partnership can offer their share of the land and newly planted forest for sale.

Firstly - to the other partners under the pre-emptive rights rule

Secondly - on the secondary market to new investors.
RD NZ facilitates the secondary market.

Second rotation:
One of the concerns that partners have is that they do not want to commit their beneficiaries to future payments / share calls.

To overcome this, the suggestion is to leave a small portion of harvest income per ha in the partnership. This amount will vary from forest to forest. The funds will be invested in a bank account and drawn on to fund the next rotation.

In most cases your forest is still holding a significant number of liability free NZUs – currently trading at $21.00 with many pundits advocating further upside in future years.

These NZUs are in reality an unbudgeted bonus as they were not factored in to the original Cashflow. Income from the sale of these NZUs may be an appropriate use of the balance Liability free NZUs.

As well, because the land your forests are on is post 1989 the carbon sequestered during the next rotation could be leased thus giving another income stream to contribute to the holding costs.

In essence the next rotation would be fully 'pre-funded' with minimal harvest income having to be retained.

Pre-funding a forest is not new as we have already done it with two forests (Granity Forest Ltd and Woodleigh Forest Ltd) and has worked. The two Wanganui forests that are at the end of harvest have adopted the model.

This 'Pre-funding' arrangement would allow partners to leave a totally unencumbered, fully funded asset for their beneficiaries – children, grand children or favourite charity. A great legacy.

If on the other hand the majority vote to sell the newly planted forest, then the pre-funding model would ensure the forest was funded until such time as a buyer can be found. Rather than sell immediately after harvest it may be better to wait until the new crop is well established – say age 5.

It was stressed the decision as to the future of your forest is still a few years away. However it is appropriate to discuss possible options.

MEETING CLOSED: 3:00pm

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Chairman
Castle Rock Forest Partnership 2018