STONEY RIVER FOREST PARTNERSHIP

MINUTES OF ANNUAL GENERAL MEETING
HELD AT PUTERE ACCOMODATION COMPLEX AND THE PROPERTY
ON FRIDAY 20TH APRIL 2018 AT 10.00AM

PRESENT
J C & Y J Trewavas Limited (John & Yvonne Trewavas), Leonard John Mckenna, Longstaff Enterprises Limited (Charlie longstaff), Val & Peter Hopperus, Roger Dickie (No 9) Limited (Margaret Prince as Proxy), Roger Dickie.

ATTENDING
Richard Bourne, William Dickie and Grant Morris (Roger Dickie (NZ) Ltd), Steve Bell, Rory Bennison , Paul van der Voort (Forest Management (NZ) Ltd), Ted Dickie (Harvest Logistics Limited), Margaret Prince & Jeff Whitlock (Moore Stephens Markham's Waverley).

APPOINTMENT OF CHAIRMAN
Nominations were called for the position of Chairman for this meeting.
John McKenna/Charlie Longstaff THAT William Dickie be appointed Chairman for this meeting.

CARRIED

APOLOGIES AND PROXIES
B R & P M D Woodward Limited, Daniel Koeppel, David Brian Nixon, Donbar Forestry Limited, Dr Juergen and Beate Mueller, Dysart Timbers Limited, Ell Investments Limited, Eric Soar, Four Wood Investments Limited, Jackman Forestry Investment Limited, Jilrob Holdings Limited, Lane Crockett, Leonie Ruth Nicholson, Mary Dalhoff, Michael Meyer, Stoney Forest Limited, TWI No 2 Forestry Limited. Proxies were held for the above named, establishing a quorum for the meeting.
Peter Hopperus/John Trewavas THAT apologies and proxies be sustained.

CARRIED

MINUTES OF THE PREVIOUS MEETING:
Minutes of the April 2017 general meeting had been circulated
Charlie Longstaff / John Trewavas 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
Val Hopperus/John McKenna THAT Public Liability Insurance be effected for $10 million.

CARRIED

ADMINISTRATION
John McKenna/Charlie Longstaff THAT the administrators' remuneration be at a rate of $378(GST ex)per month.

CARRIED

BUDGET
John McKenna/Yvonne Trewavas 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, Paul van der Voort and Rory Bennison from FMNZ gave a power point presentation covering harvest planning. This was followed by a site visit to an area that has undergone roadlining and a Q & A session was held with forest managers.

Steve alluded to the shortage of contractors and asked those attending how they felt about commencing harvest a little earlier if a contractor became available – noting that it would only apply to forests that are harvest ready. i.e. with initial roading in place. Steve also commented the volumes at Putere would allow for early commencement of harvest and given each forest will likely take several years to harvest the average harvest age could be around 27.
Those present indicated full support for this should the situation arise.

Harvest reports, clearfell payments and timing of same
Partners were shown an example of a clearfell 'Harvest Report' that will be sent monthly once clearfell commences. Prior to clearfell partners are sent monthly 'Activity Report'. It was pointed out that logs harvested in January are paid for by the exporter at the end of February. The manager then has to check and reconcile all figures, have it signed off with the Statutory Supervisor, with disbursements made to partners within the first two weeks of March – along with the corresponding January Harvest Report and disbursement schedule.

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 Markham's Wanganui and Waverley)*

ETS (Emissions Trading Scheme)
William Dickie gave attendees an update regarding the ETS. 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 continues to monitor the market.

Log Markets
There was an update on the outlook for log markets in the short to medium term. Overall, momentum remains robust in China, log offtake from the ports is up to 100,000m3 per day with log inventories sitting between four and five million cubic meters. Exchange and shipping rates had increased slightly.

Health and Safety
It was discussed that this is a significant factor in the forestry industry. The forest managers are being very proactive in this space to ensure best practice from all contractors in our forests.

Secondary Market
We have had very little to offer on the secondary market with no secondary sales for 4 months. We have a good number of existing partners who have registered an interest in securing additional

investment. Partners looking to secure additional Partnership Interests or divest were advised to contact the office.

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.
RDNZ facilitates the secondary market.

Second rotation
One of the concerns that partners have is 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.

Most forests are 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 and income from the sale of these could be used to fund the next rotation.
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 it has worked. A Wanganui forest at the end of harvest has adopted this model.
This 'pre-funding' arrangement would allow partners to leave a totally unencumbered, fully funded asset for their beneficiaries – children, grandchildren 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
Stoney River Forest Partnership 2018