

# Bideford Forest Investment

## Prospective Financial Information to 31 March 2024

The Prospective Financial Statements of Bideford Forest Investment (BID) comprise the following Prospective Financial Information (PFI) and other PFI related information for the 4 months ending 31 March 2023 (FY23) and the 12 months ending 31 March 2024 (FY24). Refer to the limited assurance review conclusion by Baker Tilly Staples Rodway Audit Limited.

### Introduction

These prospective financial statements comprise the following:

- Prospective Statement of Comprehensive Income
- Prospective Statement of Changes in Equity
- Prospective Statement of Financial Position
- Prospective Statement of Cash Flows
- Notes, comprising a summary of significant accounting policies, significant assumptions and any relevant information underlying the prospective financial statements.

This document should be read in conjunction with the Product Disclosure Statement (“PDS”) and the Forest Management Plan provided on the Disclose Register ([www.business.govt.nz/disclose](http://www.business.govt.nz/disclose), offer number OFR13461).

### Basis of Preparation and Presentation

The PFI has been prepared in accordance with the requirements of Financial Reporting Standard 42: Prospective Financial Statements. The PFI, and underlying assumptions, have been prepared by management and approved by the Forest Enterprises Limited Board (the “Directors”) specifically for the Public Offer of shares in BID (the “Offer”).

Forest Enterprises is the licenced Manager of the Scheme. The Directors have given due care and attention to the preparation of the PFI and authorised the PFI as at 24 November 2022 for the purpose stated above. The PFI may not be suitable for any other purpose. PFI, by its nature, is inherently uncertain. It involves predictions of future events that cannot be assured as well as risks and uncertainties which are often beyond the control of BID. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. Various risk factors and the management thereof may influence the success of BID’s business. Refer further to Section 7 *Risks to returns from Bideford Forest Investment* in the PDS. Accordingly, actual results may vary from the PFI, and those variations may be significantly more or less favourable. The Directors cannot and do not guarantee the achievement of the PFI.

### Financial Periods

The PFI covers the following periods:

- Forecast financial information for FY23
- Forecast financial information for FY24

The Directors are responsible for and have authorised the issue of the PFI on 24 November 2022. There is no present intention to update the PFI or to publish PFI in the future, other than as required by regulations. The BID will present a comparison of the PFI with actual financial results in its FY23 and FY24 annual reports, as required by clause 59, Schedule 5, of the Financial Markets Conduct Regulations 2014.

**Other PFI Related Information**

Refer also to the offer register, where Prospective Financial Information over the Expected Life of the Investment is included based on assumptions set out. Harvest assumptions which this information is based on are contained in the Forest Management Plan. Caution should be exercised as many factors could change over the approximate 29 years of the investment term. The PFI beyond 31 March 2024 has not been reviewed by Baker Tilly Staples Rodway Audit Limited.



## Bideford Forest LP

### Prospective Statement of Comprehensive Income

	For the Period ending 31 March 2023	For the Year to 31 March 2024
	\$	\$
<b>REVENUE</b>		
Carbon Income Received	0	0
Forestry Right Income	29,651	15,613
Harvest Income	0	0
<b>TOTAL REVENUE</b>	<b>29,651</b>	<b>15,613</b>
<b>LESS EXPENDITURE</b>		
<b>Forestry Expenditure</b>		
Establishment	51,614	261,782
Tending	12,487	25,444
Maintenance	19,142	19,142
Protection	5,160	5,160
Insurance	4,041	5,650
Inventory	0	0
Rates	7,280	7,280
<b>Total Forestry Expenditure</b>	<b>99,724</b>	<b>324,458</b>
<b>Other Expenditure</b>		
Management Fees	11,266	14,961
Supervisor Fees	4,250	4,250
Financial Audit	2,500	2,500
Forestry Audit	2,000	2,000
Investment Update and Valuations	0	5,500
Formation, Mapping and Inventory	220	1,320
Borrowing Costs and Bank Fees	7,470	43,210
Industry Subscriptions and Levies	21,500	21,500
Filing Fees and Disbursements	23,036	7,914
Investor Meeting Costs	500	5,000
<b>Total Other Expenditure</b>	<b>72,743</b>	<b>108,155</b>
<b>Depreciation</b>	<b>359</b>	<b>2,491</b>
<b>TOTAL EXPENDITURE</b>	<b>172,826</b>	<b>435,104</b>
<b>NET FOREST DEVELOPMENT INCOME / (EXPENDITURE)</b>	<b>(143,175)</b>	<b>(419,491)</b>
Change in Fair Value of Tree Crop	64,101	287,226
Net Profit / (Loss)	(79,074)	(132,265)
Other Comprehensive Income	0	0
<b>Total Comprehensive Income</b>	<b>(79,074)</b>	<b>(132,265)</b>



## Bideford Forest LP Prospective Statement of Changes in Equity

	For the Period to 31 March 2023	For the Year to 31 March 2024
	\$	\$
<b>EQUITY</b>		
Opening Equity	0	4,725,226
<b>Contributions from owners</b>		
Issued Shares	4,804,300	
Applications / Calls	234,700	0
Scheme Establishment Costs	(234,700)	
<b>Distributions to owners</b>		
Distributions during the period	0	0
<b>Closing Investment by Limited Partners</b>	4,804,300	4,725,226
Total Comprehensive Income	(79,074)	(132,265)
<b>NET EQUITY</b>	4,725,226	4,592,961



## Bideford Forest LP Prospective Statement of Financial Position

	As at 31 March 2023	As at 31 March 2024
	\$	\$
<b>CURRENT ASSETS</b>		
Bank Account	0	0
<b>TOTAL CURRENT ASSETS</b>	<b>0</b>	<b>0</b>
<b>LESS CURRENT LIABILITIES</b>		
Bank overdraft	0	0
<b>TOTAL CURRENT LIABILITIES</b>	<b>0</b>	<b>0</b>
<b>NET CURRENT ASSETS</b>	<b>0</b>	<b>0</b>
<b>PROPERTY, PLANT EQUIPMENT</b>		
<b>Land Preparation</b>		
Land Preparation	7,184	50,184
Less Accumulated Depreciation	359	2,850
<b>Total Land Preparation</b>	<b>6,825</b>	<b>47,333</b>
<b>Non Current Assets</b>		
Land at Cost	3,958,000	3,958,000
<b>Biological Assets</b>		
Forest Crop Value	910,401	1,197,627
<b>Total Non Current Assets</b>	<b>4,875,226</b>	<b>5,202,961</b>
	4,875,226	5,202,961
<b>NON CURRENT LIABILITIES</b>		
Term Loan	150,000	610,000
<b>NET ASSETS</b>	<b>4,725,226</b>	<b>4,592,961</b>
<b>EQUITY</b>	<b>4,725,226</b>	<b>4,592,961</b>
<b>EQUITY</b>	<b>4,725,226</b>	<b>4,592,961</b>



## Bideford Forest LP Prospective Statement of Cash Flows

	Period ending 31 March 2023	12 months ending 31 March 2024
	\$	\$
<b>Operating Activities</b>		
Receipts from Customers and Others	29,651	15,613
Harvest Income	0	0
Payments to Suppliers and Others	(164,997)	(389,403)
Interest Paid	(7,470)	(43,210)
<b>Net Cash from Operating Activities</b>	<b>(142,816)</b>	<b>(417,000)</b>
<b>Investment Activities</b>		
Sale/ (Purchase) of Fixed Assets	(7,184)	(43,000)
Scheme Issue Costs	(234,700)	
<b>Net Cash from Investing Activities</b>	<b>(241,884)</b>	<b>(43,000)</b>
<b>Financing Activities</b>		
Mortgage Borrowings/ (Repayments)	150,000	460,000
Partners' Investments/ (Distributions)	234,700	(0)
<b>Net Cash from Financing Activities</b>	<b>384,700</b>	<b>460,000</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents at start of period	0	0
<b>CLOSING FUNDS ON HAND at year end</b>	<b>0</b>	<b>0</b>
<b>Reconciliation of Net cash from operating activities to Net Profit/ (Loss)</b>	Period ending 31 March 2023	12 months ending 31 March 2024
	\$	\$
Net profit / (loss)	(79,074)	(132,265)
(increase) /decrease in fair value	(64,101)	(287,226)
Depreciation	359	2,491
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(142,816)</b>	<b>(417,000)</b>



## Notes and Assumptions for the period ending 31 March 2023 and the year ending 31 March 2024

The purpose of the prospective financial statements is to assist investors in assessing the viability of and return on funds invested. The PDS and the prospective financial information contained in it may not be appropriate for any other purpose. It should be noted that harvest income will not be received until the trees are around 26 years old and any carbon income will not be possible before 2030, so the amount of Calls is the most relevant financial measure in the early years of this long-term investment.

Bideford Forest Investment is the generic name for the forest investment comprising both Bideford Forest LP and Bideford Forest GP Ltd. Under the Financial Markets Conduct Act 2013 (FMCA) it is a registered managed investment scheme. It is scheme number SCH13429 on the Disclose Register and was formed with registration of the Deed of Scheme Management on 23 November 2022.

Bideford Forest LP is the operational entity and is registered and domiciled in New Zealand under the Limited Partnerships Act 2008 for the purpose of establishing, maintaining, managing and harvesting trees on land owned by the Limited Partners.

The prospective financial statements were authorised for issue on 24 November 2022 by the board of the Manager. The Manager is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. It is not intended to update the prospective financial information subsequent to issue.

### Statement of Accounting Policies

#### The Entity

The LP will be an FMC Reporting Entity under the FMCA and will report as a Tier 1 For Profit entity. The prospective financial statements have been prepared in accordance with Generally Accepted Accounting Practices in New Zealand (NZGAAP) as it relates to the prospective financial statements, and comply with FRS-42 Prospective Financial Statements. The accounting policies and disclosures adopted in these prospective financial statements reflect those required by the New Zealand Equivalents to International Financial Reporting Standards (NZIFRS) and other applicable financial reporting standards as appropriate for-profit oriented entities.

The actual annual financial statements for the LP will be prepared in accordance and comply with NZIFRS plus International Financial Reporting standards. The accounting policies adopted in the prospective financial statements reflect the policies expected to be adopted in the actual annual financial statements. Actual financial results achieved for particular periods are likely to vary from information presented and the variations may be material.

#### Measurement System Adopted

The Prospective Financial Statements are presented in New Zealand Dollars. The Prospective Financial Statements have been prepared on the basis of historical cost, going concern and accrual accounting, except that forest treecrop will be measured at fair value. The statements are GST exclusive other than for receivables and payables where the gross amount due, or owing, is shown.

#### Accounting Policies Adopted

The following specific accounting policies which materially affect the measurement of financial performance have been applied.

#### Revenue Recognition

Forestry right income is recognised for 1<sup>st</sup> rotation treecrop that is still to be harvested by the Tividale and Pinedale Investments under a forestry right instrument. Revenue is measured based on consideration specified in the contract and excludes amounts collected on behalf of third parties. Interest and other investment revenue is recognised in the period it is earned.

#### Biological Assets

The treecrop is included in the Financial Statements at fair value and increases/(decreases) in fair value are reported in the Statement of Comprehensive Income as a profit or loss each year.



### **Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. These are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within Current Liabilities on the Statement of Financial Position.

### **Sundry Debtors**

Debtors are recognised at fair value less any less provision for expected credit losses.

### **Property, Plant & Equipment and Depreciation**

Property, Plant & Equipment (including land) are recorded at cost. Land and roading improvements acquired as part of the land purchases are not depreciated.

### **Trade and other payables**

These amounts represent unsecured liabilities for goods and services provided to the LP prior to the end of the financial year which are unpaid. Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

### **Borrowings**

Bank overdrafts and term loans are recorded at the amount payable plus accrued interest.

### **Taxation**

The LP is not separately assessable for tax purposes. Tax consequences pass through to the Limited Partners in proportion to their shareholding.

### **Changes in Accounting Policies**

All policies have been applied on a consistent basis throughout the reported prospective periods of these Financial Statements.





## Statement of Assumptions, Risks and Uncertainties

In preparing these prospective financial statements, several judgements and estimates have been made regarding financial and other risks. These judgements, estimates and uncertainties are discussed in more detail below.

### Treecrop Valuation

Key assumptions in determining the Forest Crop value, which are categorised as level 3 within the fair value hierarchy are:

- Until the tree age is more than 5 years old, cost is assumed to approximate fair value. Where this applies, the costs of establishment that are recognised in the Statement of Comprehensive Income are capitalised and recognised as a gain in fair value of the treecrop.

### Forest Management Plan

The forestry assumptions have been based on those set out in the Forest Management Plan and PDS. Briefly these assumptions assume establishment will be carried out until 2025 and pruning and thinning will be carried in accordance with industry standards.

### Property

It is assumed that settlement of the two forest properties will occur on or around 1 December. Forest Enterprises Growth will then offer shares in the LP to foundation investors (those selling the forest properties to the LP) and such of the remaining shares it acquires from Foundation Investors to new investors under the PDS.

### Related Parties

Forest Enterprises is the business name of Forest Enterprises Growth Limited and its subsidiary Forest Enterprises Limited. The fees payable to Forest Enterprises are -

- A base fee for Forest Management, plus Administration and Accounting services of \$28 per planted hectare, per annum.
- An Investor Administration fee of \$60 per investor per annum.
- A Coordination and Supervision fee of 20% of actual expenditure charged, of a non-disbursement nature.
- Where non harvest income is arranged, up to 10% of the income is deducted as a coordination and supervision fee. There is no fee on the forestry right income.
- An Investment Update and Indicative Valuation fee of 5.5 cents per share (equivalent to \$11 per 200 shares).

Where it is commercially practical and not disadvantageous to Investors, the Manager may undertake work that would otherwise be contracted to a third party and charge a commercially reasonable fee for that work. The Manager is also entitled to recover all reasonable disbursements and third-party charges.

The forecast amount of all ongoing Managers fees is:

Ongoing Investment Fees & Expenses				
Manager and associated persons.	Period Ended 31 March 2023	As percentage of Scheme Net Assets	Year Ended 31 March 2024	As percentage of Scheme Net Assets
Base management Fee	\$11,266	0.24%	\$14,961	0.33%
Forest Activity Supervision Fee	\$19,027	0.40%	\$56,666	1.23%
Investment Update and indicative valuat	\$0	0.00%	\$5,500	0.12%
Investor Meeting Costs	\$500	0.01%	\$5,000	0.11%
Disbursements	\$5,000	0.11%	\$5,000	0.11%



## Set Up Fees

The fees and expenses charged to the Investment on its set up by the Manager are:

Set Up Fees		
Manager and Associated Persons	Nature of Fee	Period to 31 March 2023
Offeror's Fee	Payable to FEG who will pay Issuer fees and costs including brokerage	\$120,000
Legal Fees	FEL internal Legal Fees for Documentation	\$47,500
<b>Other Party Fees</b>		
Legal Fees	Supervisor Review of Scheme Documentation and external legal fees for transferring properties to the Investment	\$46,000
Supervisor	Set-up Fee	\$5,000
PDS, Scheme Registration & FMA Levy		\$7,200
Assurance Fees	Fees paid to Forme for their review of the Forest Plan and to Baker Tilly Staples Rodway for their review of the Prospective Financial Information contained on the offer register	\$9,000
<b>Total Fees</b>		<b>\$234,700</b>

The above fees are payable by the Investment. In respect of the legal fees and other expenses, the Manager may have already met these costs on behalf of the Investment prior to Settlement of the Properties and, accordingly, is entitled to reimbursement.

Other fees may be paid by the Manager between the dates of settlement and this PDS. Those fees will be reimbursed to the Manager. These fees will not change as they are incurred upfront and the Manager is responsible for any 'unders' or 'overs'.

## Financial Risk Management Strategies

The LP is committed to establishing and managing the treecrop through to harvest. It is exposed to financial risks arising from changes in log prices. There will be no derivative or other contracts in place to manage the risk of a decline in log prices.

## Financial & Other Risks

Credit Risk Financial instruments that potentially subject the investment to credit risk principally consist of the bank balances and accounts receivable. Although there is no exposure to credit risk at balance date shown in the PFI, there is during the period covered.

Liquidity Risk The major asset of land and trees has no active market for sale. The pre 1990 treecrop is being managed through until harvest at approximately age 26 years, where it will be harvested at prevailing prices. Post 1989 trees will likely be harvested after the investment term and be sold as standing timber. Carbon generated from the post 1989 trees will be sold in the year after being received each year.

All financial asset risks are being managed in accordance with normal procedures. BNZ and Trustees Executors are being used for cash balances, and accounts receivable are regularly being monitored.

### Interest Rate Risk

The Investment will borrow money at a floating interest rate. Borrowing is expected to be \$150,000 in the period to 31 March 2023, and a further \$460,000 in the year to 31 March 2024 and \$525,000 in the year to 31 March 2025.

### Credit Facilities

The land for the two forest properties will be held as first mortgage security by the bank for the borrowings and overdraft facility. The floating interest rate for the term loan facility will be negotiated with the Bank. Similar facilities at the date of the PDS were 7.85%. The forecast borrowing costs have been based on an assumption of 8.5%. Financial covenants and refinancing the will be negotiated. Repayment is scheduled for July 2025 to July 2029.

The LP will have a \$40,000 overdraft facility. The interest rate applying to similar facilities at the date of the PDS is 11.25%.



Other facility costs will likely include 0.15%/ month for the overdraft and a non-utilisation fee of around 2% on approved borrowings not drawn down.

Market Risk

No reasonable possible movement would be considered to have a material effect on profit or equity during the period of the PFI.

Fair Values

The carrying amount of financial instruments are estimated to be the fair values of those instruments.

