

Glenlea Forest Partnership
Financial Statements
for the Year Ended 29 February 2020

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Glenlea Forest Partnership

Statement of Total Profit/Loss & Other Comprehensive Income For the Year Ended 29 February 2020

	<u>Feb 2020</u>	<u>Feb 2019</u>	<u>Budget 2020</u>
	\$	\$	\$
HARVESTING ACCOUNT			
<u>Harvesting Revenue</u>			
Log Proceeds	2,082,973	893,043	1,435,195
<u>Less Cost of Sales</u>			
Harvesting Costs	646,073	243,006	-
Cartage	494,062	158,259	-
Forest Grower Levy	4,478	1,580	-
Management Fee	83,319	35,722	-
Environmental Standard	2,748	1,900	-
Roading Costs	72,284	211,296	-
Weighbridge	5,863	2,270	-
	<u>1,308,826</u>	<u>654,032</u>	<u>-</u>
<u>Gross Profit from Harvesting</u>	774,146	239,011	1,435,195
<u>Other Operating Revenue</u>			
Interest Received	7,961	7,918	201
Honey Income	-	1,758	-
	<u>7,961</u>	<u>9,676</u>	<u>201</u>
<u>Net Operating Revenue for Period</u>	<u>\$782,107</u>	<u>\$248,686</u>	<u>\$1,435,396</u>

Note: This Statement must be read in conjunction with the accompanying Notes .

Glenlea Forest Partnership

Statement of Total Profit/Loss & Other Comprehensive Income For the Year Ended 29 February 2020

	<u>Feb 2020</u>	<u>Feb 2019</u>	<u>Budget 2020</u>
	\$	\$	\$
<u>Net Operating Revenue for Period</u>	782,107	248,686	1,435,396
<u>Forest Expenses</u>			
Planting & Blanking - Labour	-	-	920
Planting & Blanking - Trees	-	-	884
Releasing - Labour	-	-	500
Pre-Plant Preparation	519	-	700
Fire Control	300	300	300
Management & Supervision Fees	6,885	6,746	10,021
Plot Imputation	-	4,080	-
	<u>7,703</u>	<u>11,126</u>	<u>13,325</u>
<u>Operating Expenses</u>			
Accommodation Complex Expenses	666	512	3,000
Accountancy Fees	3,665	3,560	3,665
Administration	6,945	5,026	4,680
Audit Fees	2,995	2,605	5,735
Bank Fees	100	94	150
Compliance	950	876	636
Depreciation for Period	57,855	38,572	57,855
Emission Trading Scheme	48	-	-
Legal Expenses	698	55	600
Meeting Costs	551	416	600
Repairs & Maintenance - Fences	48	-	-
Statutory Supervisor	1,500	1,500	1,500
Subscriptions - Forest Health, Research, Kyoto	719	826	598
Sundry Expenses	308	305	2,305
Valuation - Forest	668	159	725
Weed & Pest Control	-	-	4,800
	<u>77,716</u>	<u>54,505</u>	<u>86,849</u>
<u>Standing Charges</u>			
Insurance - Buildings	382	345	380
Insurance - Public Liability	780	583	642
Insurance - Plantations	29,680	16,389	18,027
Interest - Mortgage	39	-	-
Rates	10,337	8,849	11,213
	<u>41,218</u>	<u>26,166</u>	<u>30,262</u>
<u>Total Expenses</u>	<u>126,637</u>	<u>91,798</u>	<u>130,436</u>
<u>Net Operating Surplus for Period</u>	655,470	156,889	1,304,960
Fair Value Movement -			
Plantation Revaluation Increase (Decrease)	(1,591,000)	3,722,000	-
Liability-free NZU Value Increase (Decrease)	35,734	710,175	-
<u>Net Surplus/(Deficit) for Year</u>	<u>(899,796)</u>	<u>4,589,064</u>	<u>1,304,960</u>
Other Comprehensive Income	-	-	-
<u>Total Comprehensive Income</u>	<u><u>(\$899,796)</u></u>	<u><u>\$4,589,064</u></u>	<u><u>\$1,304,960</u></u>

Glenlea Forest Partnership
Statement of Changes in Equity
For the Year Ended 29 February 2020

	<u>Note</u>	<i>Capital Accounts</i>	<i>Retained Earnings</i>	<u>2020 Total</u>
Equity as at 1 March 2019		2,387,755	9,191,448	11,579,203
Total Comprehensive Income		655,470	(1,555,266)	(899,796)
Total Distributions To Partners		(450,589)	-	(450,589)
Equity as at 29 February 2020		<u>2,592,635</u>	<u>7,636,182</u>	<u>10,228,817</u>

		<i>Capital Accounts</i>	<i>Retained Earnings</i>	<u>2019 Total</u>
Equity as at 1 March 2018		2,415,435	4,759,273	7,174,708
Total Comprehensive Income		156,889	4,432,175	4,589,064
Total Distributions To Partners		(184,569)	-	(184,569)
Equity as at 28 February 2019		<u>2,387,755</u>	<u>9,191,448</u>	<u>11,579,203</u>

Note: This Statement must be read in conjunction with the accompanying Notes .

Glenlea Forest Partnership

Statement of Financial Position As at 29 February 2020

	<u>Note</u>	<u>Feb 2020</u> \$	<u>Feb 2019</u> \$
<u>Current Assets</u>			
Prepayments		2,400	-
Accounts Receivable		118,686	-
Cash and Cash Equivalents	4	558,428	401,651
Goods & Services Tax		-	18,855
NZ ETS Units		<u>750,409</u>	<u>714,675</u>
		1,429,923	1,135,181
<u>Non Current Assets</u>			
<u>Plantations</u>			
Plantation Value		9,996,000	6,274,000
Revaluation for Year	6	<u>(1,591,000)</u>	<u>3,722,000</u>
		8,405,000	9,996,000
<u>Property, Plant and Equipment</u>			
	7		
Land		198,867	198,867
Land Improvements		382,235	253,170
Buildings & Furniture		<u>3,383</u>	<u>4,613</u>
		584,485	456,650
<u>Total Assets</u>		<u>10,419,408</u>	<u>11,587,831</u>
<u>Less Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable		107,438	681
Goods & Services Tax		83,153	-
Calls in Advance		<u>-</u>	<u>7,948</u>
		190,590	8,628
<u>Total Net Assets</u>		<u>\$10,228,818</u>	<u>\$11,579,203</u>
<u>Equity</u>			
Capital Contributions per Schedule		2,592,636	2,387,755
Retained Earnings		<u>7,636,182</u>	<u>9,191,448</u>
		<u>\$10,228,818</u>	<u>\$11,579,203</u>

Represented by:

Equity

Capital Contributions per Schedule
Retained Earnings



Roger Dickie



William Dickie

14 August 2020

Date

Note: This Statement must be read in conjunction with the accompanying Notes.



Glenlea Forest Partnership

Cashflow Statement For the Year Ended 29 February 2020

	<u>Note</u>	<u>Feb 2020</u> \$	<u>Feb 2019</u> \$
<u>Cash Flows from Operating Activities</u>			
Cash was provided from:			
Interest Received		7,961	7,918
Operating Income		1,964,287	1,118,163
Carbon Credit Sales		-	39,203
Goods & Services Tax		102,008	-
		<u>2,074,255</u>	<u>1,165,284</u>
Cash was applied to:			
Interest		39	-
Operating Expenses		1,273,212	817,027
Goods & Services Tax		-	15,043
		<u>1,273,251</u>	<u>832,070</u>
Net Cash inflow (outflow) from operating activities	8	<u>801,004</u>	<u>333,214</u>
<u>Cash Flows from Investing Activities</u>			
Cash was applied to:			
Purchase of Property, Plant and Equipment		185,690	293,238
Net cash inflow (outflow) from investing activities		<u>(185,690)</u>	<u>(293,238)</u>
<u>Cash Flows from Financing Activities</u>			
Cash was provided from:			
Calls on Participatory Securities		(7,948)	-
Payouts to Partners		(450,589)	(184,569)
Net cash inflow (outflow) from financing activities		<u>(458,537)</u>	<u>(184,569)</u>
Net increase (decrease) in cash held		<u>156,777</u>	<u>(144,594)</u>
Cash at Start of Year		<u>401,651</u>	<u>546,244</u>
Cash at End of Year		<u><u>\$558,428</u></u>	<u><u>\$401,650</u></u>

Note: This Statement must be read in conjunction with the accompanying Notes .

Glenlea Forest Partnership

Notes to the Financial Statements

For the Year Ended 29 February 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Financial Statements presented here are for the entity Glenlea Forest Partnership, which is a Partnership registered under the Partnership Act 1908.

The financial statements of Glenlea Forest Partnership are for a scheme registered under the Financial Markets Conduct Act 2013, and that these financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013. The partnership is applying Tier 1 reporting standards.

These financial statements were authorised for issue by the partners on the 14 August 2020.

Segmental Reporting

The entity operates in the forestry industry at locations in the North Island of New Zealand.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed, with the exception that certain assets specified below have been revalued.

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with the NZ equivalents to International Financial Reporting Standards. The financial statements also comply with International Financial Reporting Standards. For this purpose, the Partnership has designated itself to be profit-oriented.

New Zealand dollars are Glenlea Forest Partnership functional and presentational currency.

Specific Accounting Policies

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

- i Receivables and payables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts). The resulting carrying amount for receivables is not materially different from estimated realisable value.
- ii The forest plantations are recorded at fair value less estimated point of sale costs. Any gains or losses in the fair value of the forest are recorded in the Statement of Total Profit/Loss.
- iii NZ ETS Units without any future liability attached to them have been recorded at fair value, and any subsequent gains or losses are recorded in the Statement of Total Profit/Loss.
- iv Revenue from contracts with customers (harvest income) is recognised as performance obligations are met. Revenue is measured based on consideration specified in the contract and excludes amounts collected on behalf of third parties. Interest and other revenue is recognised in the period it is earned.

Glenlea Forest Partnership

Notes to the Financial Statements

For the Year Ended 29 February 2020

- v The entity is not a party to financial instruments with off balance sheet risk.
- vi Cash and cash equivalents include cash on hand, bank balances, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.
- vii Property improvements, plant and equipment is recorded at cost less accumulated depreciation. Land is recorded at cost less Pre-1990 compensatory NZUs received. Depreciation has been calculated on a diminishing value basis.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in the Statement of Total Profit/Loss and is calculated as the difference between the sale price and the carrying value of the item.

Depreciation is provided for on a diminishing value basis on all tangible property, plant and equipment other than freehold land and capital work in progress, at depreciation rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful lives.

Major Depreciation periods are:
Land Improvements - average 24 years

Roading that has a useful life of greater than 12 months is capitalised and depreciated. Roothing with a useful life of less than 12 months, and all road maintenance, is expensed as incurred. Where roading is use in conjunction with neighbouring forests, the costs are shared on the basis of tonnage extracted over that section of road.

- viii For the purposes of the cashflow statement, cash includes cash on hand and deposits held at call with banks.
- ix All taxable profits or losses are assessed to the partners of the partnership.
- x The financial statements have been prepared on a GST exclusive basis, except for receivables and payables which are presented inclusive of GST.
- xi NZ ETS units are recorded at fair value to the extent that there is no liability attributing to units.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

2. AUDIT

These financial statements have been produced subject to audit, please refer to Auditor's Report.

3. BUSINESS

The principal activity of Glenlea Forest Partnership is that of Afforestation. The partnership grows pinus radiata for the purpose of selling the harvest in 2021.

Glenlea Forest Partnership

Notes to the Financial Statements

For the Year Ended 29 February 2020

	<u><i>Feb 2020</i></u>	<u><i>Feb 2019</i></u>
4. CASH AND CASH EQUIVALENTS		
B N Z Current Account	229,302	77,639
B N Z Deposit - Investment Fund	<u>329,126</u>	<u>324,011</u>
	<u><u>\$558,428</u></u>	<u><u>\$401,651</u></u>

Deposit - Investment Fund

The deposit is available to fund any future obligation that Glenlea Forest Partnership may assume under its arrangement with other partnerships in the Roger Dickie Group Investment Fund. Glenlea Forest Partnership will contribute towards forest losses sustained by other partnerships and not covered by the Group Investment Fund.

5. **PLANTATION DETAILS**

The plantation is comprised of Pinus Radiata trees planted in the Wairoa District. The Net Stocked Area of approximately 259 hectares was planted in 1993. The forest is a consumable immature biological asset.

	<u><i>Feb 2020</i></u>	<u><i>Feb 2019</i></u>
<u>Reconciliation of Net Stocked Area</u>		
Opening Net Stocked Area (Approx.)	281	289
Less Area Harvested	<u>(22)</u>	<u>(8)</u>
Closing Net Stocked Area (Approx)	<u><u>259</u></u>	<u><u>281</u></u>

6. **PLANTATION REVALUATIONS**

Valuer

The plantation was valued as at 29 February 2020 by Andrew Clarke, Registered Forestry Consultant (NZIF), of PF Olsen Limited, forest consultants and managers. The estimated fair value of the plantation is categorised within Level 3 of the fair value hierarchy.

Valuation Methodology

The valuation uses the following procedure:

- i Future Yields are forecast.
- ii Log prices are attached and harvest costs deducted to arrive at projected harvest revenues.
- iii Projected clearfell revenues are reduced to account for attrition.
- iv Future costs are added.
- v The effect of taxation is modelled from a purchaser's perspective.
- vi The resulting post-tax cashflow is discounted at the nominal discount rate, This generates a Net Present Value (NPV) by stand and by forest.

If the stand has a negative NPV after the discounting as above, then the stand value is assessed as the sum of the current replacement costs.

The fair value estimate excludes the value of the land and the improvements thereon.

Also excluded are any costs and revenues associated with subsequent crops, and any value arising from the Emissions Trading Scheme.

The key inputs used in obtaining fair value are as follows, along with their sensitivity to a significant increase or decrease.

Glenlea Forest Partnership

Notes to the Financial Statements

For the Year Ended 29 February 2020

Projected Yield

The growth potential was determined for each crop type based on measurement data supplied by the forest manager. Where a crop has not been measured, the indices estimated in the original prospectus have been used. A clearfell age of between 26 and 32 has been assumed for the majority of the radiata crops. Some small stands have been assigned other clearfell ages to coincide with the harvesting of larger neighbouring stands. Yields have been projected from measured starting points (where data allows) using appropriate growth models. The Atlas Forecaster modelling system has been used. A significant increase in this input would increase the fair value of the plantation.

Log Prices

The radiata pine log prices used in the valuation have been derived from prices paid at the Gisborne and Napier ports over the past three years. An exception to this is the radiata domestic pulp price, which has been derived from the three-year average price (averaged to February 2020) as reported by MPI. They range from \$57 to \$191 per m3 depending on grade. Log prices for other species are taken from recent industry publications and other sources. A significant increase in this input would increase the fair value of the plantation.

Projected Costs

All costs apart from rates have been assessed by PF Olsen, and are based on current industry standards and expressed in New Zealand dollars.

- i Tending costs vary with the age of the trees and depending on the rate of growth. The projected age of the pre-harvest inventory is two years prior to clearfell at this point the harvest plan can be prepared which forms the basis of specific costings for the harvest. Prior to the pre-harvest inventory and harvest plan being prepared tending costs used in the valuation represents an average across all crop costs and may differ when a pre-harvest inventory and harvest plan is completed.
- ii Annual costs for insurance, forest management and other costs have been expressed in dollars per hectare over the whole estate. Costs may vary from forest to forest depending upon a number of forest related management factors.
- iii Clearfell harvest costs are defined as all costs from stump to price point defined as at wharf or mill gate. They include costs for logging and loading, road and skid formation, harvest management and cartage. Costs are based on current average contract costs. Some of these costs vary depending on the size and volume per hectare harvested.
- iv Logging and loading costs are based on harvest operations in the North Island over the past year. These costs vary widely depending upon location of forest, terrain, and existing roading access. An average logging and loading cost is calculated for each crop type based on the proportion of area by terrain class. The estimate of the proportion of the area in each terrain class has been made by PF Olsen staff during the site visit carried out at the feasibility stage.
- v Road and skid formation costs have been re-assessed this year using a consistent basis across all forests. PF Olsen carried out detailed assessment of road formation costs for a representative sample of four forests. This assessment used topographic maps, together with information collected during the field inspections. The modelling uses an average per hectare cost however the actual costs could differ when a pre-harvest inventory and harvest plan is carried out.

Glenlea Forest Partnership

Notes to the Financial Statements

For the Year Ended 29 February 2020

vi Harvest management costs are set at an average price for all crop types. This is based on current industry efficient costs for management of similar sized operations.

vii Cartage costs are based on a cost model which has been derived from current actual contract rates. Cartage distances are taken from the original feasibility reports. Until a pre-harvest inventory and harvest plan is completed, including where the logs will be sold, this cost could vary. Any significant change in costings or forest yield would affect the fair value of the plantation.

Discount Rate

The discount rate used in the estimate of the tree crop market value is important. The value estimate of young immature forests in particular is very sensitive to the choice of discount rate. The discount rate used represents a real rate of return, which is over and above inflation. Rates quoted by financial institutions are generally nominal rates, which include inflation. The discount rate selected of 6.0% (2019 - 6.0%) (the equivalent pre-tax discount rate is 8.5%) is based on rates derived from actual transactions in the last three years applied to post-tax cash flows. A significant increase in this input would decrease the fair value of the plantation.

Impact of the Emissions Trading Scheme

In respect of the pre-1990 forest land the carbon credits allocation, in the valuer's opinion, does not impact on the tree crop market value estimate. In respect of the post-1989 forest land premiums may have been paid for this carbon trading opportunity. It has not as yet been possible to quantify this premium or conclude that such premium still applies to any or all post-1989 forests. This valuation therefore does not include any value in respect of this carbon trading opportunity. A significant increase in this input would increase the fair value of the plantation.

Quantitative Information About Unobservable Inputs

Average weighted stumpage is estimated at \$ per hectare based on the expected log volumes and types.

Annual expenditure is based on the current estimate of the costs to be incurred with reference to prior costs incurred and the remaining silviculture program.

The discount rate used to derive the fair value is 8.5% pre-tax.

Inter-relationship With Fair Value Measurement

The estimated fair value would increase (decrease) if the average weighted stumpage was higher (lower).

The estimated fair value would increase (decrease) if the estimated annual expenditure was lower (higher).

The estimated fair value would increase (decrease) if the discount rate was lower (higher).

The estimated fair value would increase (decrease) if the log prices were higher (lower)

The estimated fair value would increase (decrease) if the harvest rotation age extents (comes forward)

The estimated fair value would increase (decrease) if the notional land value increases (decreases)

Glenlea Forest Partnership

Notes to the Financial Statements

For the Year Ended 29 February 2020

7. PROPERTY, PLANT AND EQUIPMENT

	Opening Value	Additions/ Deletions	Closing Value
<u>Land and Improvements - 2019 Year</u>			
Cost - February 1995	299,770	200,961	500,731
Accumulated Depreciation	<u>(11,352)</u>	<u>(37,342)</u>	<u>(48,694)</u>
Net Book Value	<u>288,418</u>	<u>163,619</u>	<u>452,037</u>
 <u>Buildings & Furniture</u>			
Cost	30,756	-	30,756
Accumulated Depreciation	<u>(24,913)</u>	<u>(1,230)</u>	<u>(26,143)</u>
Net Book Value	<u>5,843</u>	<u>(1,230)</u>	<u>4,613</u>
 <u>Land and Improvements - 2020 Year</u>			
Cost - February 1995	500,731	185,690	686,421
Accumulated Depreciation	<u>(48,694)</u>	<u>(56,625)</u>	<u>(105,319)</u>
Net Book Value	<u>452,037</u>	<u>129,065</u>	<u>581,102</u>
 <u>Buildings & Furniture</u>			
Cost	30,756	-	30,756
Accumulated Depreciation	<u>(26,143)</u>	<u>(1,230)</u>	<u>(27,373)</u>
Net Book Value	<u>4,613</u>	<u>(1,230)</u>	<u>3,383</u>

The latest capital value set by Quotable Value for rating purposes in August 2018 was \$1,060,000

8. CASH FLOW RECONCILIATION

	<u>Feb 2020</u>	<u>Feb 2019</u>
<u>Reconciliation of Cash Flows from Operating Activities.</u>		
Reported Surplus for Year	(899,796)	4,589,064
Non Cash Item - Depreciation	57,855	38,572
Non Cash Item - Forest Revaluation	1,591,000	(3,722,000)
Non-Cash Item - NZU Revaluation	<u>(35,734)</u>	<u>(710,175)</u>
	713,325	195,461
Movements in Working Capital:		
(Increase)/Decrease in Accounts Receivable	(118,686)	296,069
(Increase)/Decrease in Prepayments	(2,400)	-
Increase/(Decrease) in Accounts Payable	106,757	(139,253)
(Increase)/Decrease in GST	<u>102,008</u>	<u>(19,063)</u>
	87,679	137,753
Net Cash Flow from Operating Activities	<u>\$801,004</u>	<u>\$333,214</u>

9. FINANCIAL INSTRUMENTS

Interest Rate Risk

The partnership has no interest rate risk given that no money is owed to other financial institutions.

Glenlea Forest Partnership

Notes to the Financial Statements

For the Year Ended 29 February 2020

Credit Risk

Financial Instruments which potentially subject the partnership to credit risk principally consist of bank balances, deposits and accounts receivable as set out in the Statement of Financial Position. The amounts set out are the maximum exposures and are net of any recognised provision for losses on these financial instruments. No collateral is held for any of these amounts.

Concentration of Credit Risk

The partnership is not exposed to any concentration of credit risk.

Liquidity Risk

Liquidity risk represents the Partnership's ability to meet its financial obligations on time. For the most part the partnership generates sufficient cash flows from its Partners annual capital contribution to make timely payments and cashflow from the sale of surplus carbon units held. The financial assets risks are being managed in accordance with normal procedures. Cash Balance funds are held with BNZ which are monitored by the Supervisor as Custodian.

Currency Risk

The partnership has no currency risk given that any financial instruments it deals with is all in New Zealand dollars.

Price Rate Risk

Price risk is the risk that the value of financial instruments and the interest margin will fluctuate as a result of changes in market interest rates. The risk is that financial assets may re-price at a different time and/or by a different amount than financial liabilities. The partnership considers that such risk is minimal given that no funds are owed to other financial institutions.

Financial Risk Strategy

The Partnership risk management strategy is to use a combination of 100% equity finance from the partners or revenue from interest received and the sale of carbon.

10. EVENTS AFTER BALANCE DATE

There have been no significant events subsequent to balance date, except in relation to Covid-19, as referred to in Note 18.

11. EMISSIONS TRADING SCHEME

Glenlea Forest Partnership has voluntarily deregistered from the Emissions Trading Scheme ("ETS") in relation to 259 ha of plantation forest.

Glenlea Forest Trustee Limited has replaced Corporate Trust Limited as trustee holding the Partnership land as registered proprietor in trust for the Partnership. Glenlea Forest Trustee Limited holds 28,587 NZUs (2019 - 28,587) on the New Zealand Emission Unit Register on behalf of the partners.

During the year, 0 NZU's were sold. Of the 28,587 NZU Units held at balance date, 28,587 are able to be sold liability free, including 180 pre-1990 units. The partnership elects to record the NZU's at Fair Value based on prices offered by brokers as at 29 February 2020 and this is \$750,409 (2019 - \$714,675)

Glenlea Forest Partnership

Notes to the Financial Statements For the Year Ended 29 February 2020

	<u>Feb 2020</u> No.	<u>Feb 2019</u> No.
Opening Units Held	28,587	28,587
Emissions Trading Units Sold	-	-
Emissions Trading Units Surrendered	-	-
Emissions Trading Units Allocation	-	-
Closing Units Held	<u>28,587</u>	<u>28,587</u>

12. CAPITAL COMMITMENTS & OPERATING LEASES

There are no capital commitments, biological asset commitments nor operating leases as at balance date (2019 nil).

13. CONTINGENT ASSETS & CONTINGENT LIABILITIES

There were no contingent assets nor contingent liabilities as at balance date (2019 nil).

14. RELATED PARTIES

The partnership received harvesting receipts of \$2,082,973 (2019 - \$893,043) from Forest Management NZ Limited, in which R R Dickie, a partner, has a controlling interest. These transactions occurred on normal commercial terms and conditions. The amount outstanding at balance date was \$118,686 (2019 - \$0)

The partnership paid administration fees of \$6,945 (2019 - \$5,026) to Roger Dickie (NZ) Limited, commission on NZU Sales of \$0 and management fees and forest expenses of \$1,308,826 (2019 - \$654,032) and forest harvest management fees of \$83,319 (2019 - \$35,722) to Forest Management (NZ) Limited, companies in which R R Dickie, a partner, has a controlling interest. These amounts were charged on normal commercial terms and conditions. The amount outstanding at balance date was \$107,438 (2019 - \$681). No related party debts have been written off or forgiven during the year.

15. JUDGEMENT AND ESTIMATE UNCERTAINTY

The preparation of financial statements of necessity involves judgement and estimation. The only significant estimation required for the year is the plantation valuation which includes factors such as expected discounted cashflow rates, harvest dates and current log prices at mill or at wharf, refer to the plantation note for details.

Forest Plantation

Glenlea Forest Partnership is one of approximately 90 forests administered by Roger Dickie (NZ) Limited using a common forest manager, Forest Management New Zealand (FMNZ) and a common valuer PF Olsen Limited. With a forestry estate of this size PF Olsen is able to carry out rotational checks on selected forests to validate the accuracy of forest data that FMNZ provides for the purposes of the forest valuation.

Due to the nature of a growing forest it is not practical or economic to be physically counted each year. The treecrop valuation is how the underlying growing forest is represented in financial

Glenlea Forest Partnership

Notes to the Financial Statements

For the Year Ended 29 February 2020

terms.

FMNZ has been providing forest management services to the company since inception and has been producing the required data for the forest valuer (PF Olsen). PF Olsen is, a forestry consultant in its own right and qualifies as an expert for financial reporting purposes.

PF Olsen in order to rely upon the physical data provided by FMNZ validates this information on a rotational basis in the following manner:

PF Olsen prepared the initial feasibility study that takes into account significant factors such as plantable area, topography and soils, climate, growth potential, forest development programme, planting and tending, and forecast yields.

Has knowledge of the geographic estate that the forest is growing in.

Inspects a subset of forests each year.

Carries out a ground-check map (to validate net stocked area, access).

Checks tending status, and uniformity of stocking, on a selection of stands (to validate measurement data provided).

Visual checks of stand condition (crop health, growth to date).

Checks for protection measures (e.g. water points, evidence pest control).

Seek explanations for any changes observed in net stocked area, crop typing.

16. PARTNERSHIP STRUCTURE

Partners have subscribed for Partnership Interests in the Partnership. The number of Partnership Interests has been fixed at 375,000 and they have no nominal value. The partners are required to contribute capital, and to share partnership profits and losses, pro rata in accordance with the number of Partnership Interests held by them in the Partnership. Capital contributions are in accordance with an annually approved budget. The Partners are jointly and severally liable for all Partnership debts. Roger Dickie No 10 Limited partnership capital is unpaid. As disclosed in the prospectus, the payment is deferred and will be debited against his share of income from log sales.

17. ADOPTION OF NEW AND REVISED STANDARDS - (Early adoption of Standards, Interpretations and Modifications)

NZ IFRS 16: Leases. This standard replaces NZ IAS 17: Leases and changes the way in which the Partnership accounts for its operating leases. The new standard requires recognition of lease liability and a right-of-use asset at inception based on future lease payments and substantially all lease contracts. NZ IFRS 16 is effective for the year ending 31 March 2020 with early adoption permitted. The impact of adopting the standard is not significant.

The partnership believes there will be no effects from accounting standards which have been issued but not yet effective.

Glenlea Forest Partnership
Notes to the Financial Statements
For the Year Ended 29 February 2020

18. COVID-19 CORONAVIRUS

On March 11, 2020, the World Health Organisation declared the outbreak of COVID-19 (a novel Coronavirus) a pandemic. Two weeks later, on 26 March, New Zealand increased its' COVID-19 alert level to level 4 and a nationwide lockdown commenced. At the date of issuing the financial statements, the partnership has been able to absorb the majority of the impact from the nationwide lockdown and global financial downturn. At this time the full financial impact of COVID-19 pandemic is not able to be determined.

Glenlea Forest Partnership
IRD No 061-378-863
Detailed Statement of Changes in Equity
For the Year Ended 29 February 2020

	EQUITY ACCOUNTS					TAX RETURN	
	Balance 2019	Share of Profit	Sales Entries	RWT	Payouts	Closing Balance	Share of Tax Profit
Benenden Holdings Limited	102,992	27,435	-	(105)	(19,536)	110,786	27,435
Bovis, J W	104,987	27,967	-	(107)	(19,914)	112,932	27,967
Bryant, P J	100,506	26,773	-	(103)	(19,064)	108,112	26,773
Butler, M J	111,785	29,778	-	(114)	(21,204)	120,244	29,778
Clarke, G D & T J	223,098	59,429	-	(228)	(42,318)	239,982	59,429
Clark, P	45,433	12,103	-	(47)	(8,618)	48,871	12,103
Clemence Corporation Limited	98,426	26,219	-	(101)	(18,670)	105,874	26,219
Cretney, M J	98,426	26,219	-	(101)	(18,670)	105,874	26,219
Donnelly, M G	34,430	9,171	-	(35)	(6,531)	37,035	9,171
Falloon, J as Trustee	29,330	7,813	-	(30)	(5,564)	31,550	7,813
Fenrich Limited	98,426	26,219	-	(101)	(18,670)	105,874	26,219
Glenlea Lumber Company Limited	285,487	76,049	-	(292)	(54,152)	307,091	76,049
Jerdi Holdings Limited	196,851	52,438	-	(202)	(37,339)	211,748	52,438
Knott, D E as Trustee	106,989	28,500	-	(110)	(20,294)	115,085	28,500
McDell Holdings Limited	102,992	27,435	-	(105)	(19,536)	110,786	27,435
Pukekura Pines Limited	98,426	26,219	-	(101)	(18,670)	105,874	26,219
Sed Investments Limited	49,213	13,109	-	(50)	(9,335)	52,937	13,109
Spanna Forests Limited	49,213	13,109	-	(50)	(9,335)	52,937	13,109
Tangley Forests Limited	108,807	28,984	-	(111)	(20,639)	117,041	28,984
Wild, J R	106,424	28,350	-	(109)	(20,187)	114,478	28,350
Wright, S G	209,975	55,933	-	(215)	(39,828)	225,865	55,933
Roger Dickie No 10 Limited - see Note 16	25,540	26,219	-	(101)	1	51,658	26,219
	2,387,755	655,470	-	(2,519)	(448,070)	2,592,636	655,470
Retained Earnings	9,191,448	(1,555,266)	-	-	-	7,636,182	
Total Equity	11,579,203	(899,796)	-	(2,519)	(448,070)	10,228,818	

Note: This Statement must be read in conjunction with the accompanying Notes .

INDEPENDENT AUDITORS REPORT

To the Partners of Glenlea Forest Partnership

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Glenlea Forest Partnership (the partnership) on pages 1 to 16, which comprise the statement of financial position as at 29 February 2020, and the statement of total profit/loss and other comprehensive income, statement of changes in equity and cashflow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at 29 February 2020, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Partnership in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Partnership.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were address in the context of our audit of the financial statements as a whole, and in forming our opinion. We do not provide a separate opinion on these matters.

Biological Assets (Plantations)

Why Significant

The partnerships plantation (forest) asset value comprises the majority of the entity's net asset value. Management engages an independent registered forest valuer, PF Olsen, to determine the fair value of this asset.

As explained in the accounting policy 1(ii) the forest plantations are recorded at fair value less estimated point of sale costs.

How our audit addressed the key audit matter

To address the key audit matter, we:

- Assessed the competence, qualifications, independence and objectivity of the external valuer. We also obtained representation from them regarding their independence and the scope of their work;

SILKS AUDIT

Chartered Accountants Limited

These valuations require the exercise of judgement on behalf of the valuer. Key amongst these judgements are:

- Discount rate
- Log prices
- Projected yields
- Projected costs

This complexity with the valuation model results in this being an area of audit focus.

Plantation valuations are performed annually and last carried out in February 2020.

- The appropriateness of the valuation methodology;
- The accuracy of the underlying data used for the valuation;
- Assess the significant input assumptions applied by the valuer for reasonableness compared to previous periods assumptions, and other market changes;
- Meeting with the valuer to understand the valuation process adopted. The purpose of the meeting was to identify and challenge the critical judgement areas in the valuation model and to confirm the valuation approach was in accordance with NZ IAS 41;
- Engage a Forestry expert appointed by us as auditors to review the key assumptions and judgements used in the valuation report;
- Assessed the adequacy of the related financial statement disclosures.

Harvesting Revenue

Why Significant

The partnerships harvesting revenue comprises a majority of the entity's total revenue received.

How our audit addressed the key audit matter

To address the key audit matter, we:

- Assessed the internal controls and systems relating to income recording.
- We have agreed the monthly harvesting statements issued by FMNZ to the general ledger.
- We have compared tonnes produced against actual tonnes sold.
- We have reconciled the net stock area movement for the year to PF Olsen's valuation reports based on their site inspections

Administrator's Responsibilities for the Financial Statements

The administrators are responsible on behalf of the Partnership for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the administrators determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the administrators are responsible on behalf of the Partnership for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the administrators either intend to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

Auditors Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A detailed description of the auditors' responsibilities including those related to assessment of risk of material misstatement, evaluation of appropriateness of going concern assumptions and determining key audit matters are available on the external reporting board website:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

The engagement partner on the audit resulting in this independent auditor's report is Cameron Town.



Silks Audit Chartered Accountants Limited
Whanganui, New Zealand

Date: 14 August 2020

Glenlea Forest Partnership (061-378-863)

2020 Partnership Tax Summary (IR7)

1 March 2019 to 29 February 2020

Allocation to Partner**Bovis, John**

Interest	339.66
Passive income	27,627.08
Total Income	27,966.74
Interest tax credits	107.49
Total Tax Credits	107.49
Deductions for extinguished losses	0.00

Bryant, Jane

Interest	325.16
Passive income	26,447.71
Total Income	26,772.87
Interest tax credits	102.90
Total Tax Credits	102.90
Deductions for extinguished losses	0.00

Butler, Maurice

Interest	361.65
Passive income	29,415.89
Total Income	29,777.54
Interest tax credits	114.45
Total Tax Credits	114.45
Deductions for extinguished losses	0.00

Clarke, Gregory David

Interest	360.89
Passive income	29,353.73
Total Income	29,714.62
Interest tax credits	114.21
Total Tax Credits	114.21
Deductions for extinguished losses	0.00

Glenlea Forest Partnership (061-378-863)

2020 Partnership Tax Summary (IR7)

1 March 2019 to 29 February 2020

Clark, Paul

Interest	146.99
Passive income	11,955.61
Total Income	12,102.60
Interest tax credits	46.52
Total Tax Credits	46.52
Deductions for extinguished losses	0.00

Clemence Corporation Limited

Interest	318.43
Passive income	25,900.37
Total Income	26,218.80
Interest tax credits	100.77
Total Tax Credits	100.77
Deductions for extinguished losses	0.00

Cretney, Mary

Interest	318.43
Passive income	25,900.37
Total Income	26,218.80
Interest tax credits	100.77
Total Tax Credits	100.77
Deductions for extinguished losses	0.00

Benenden Holdings Limited

Interest	333.20
Passive income	27,102.15
Total Income	27,435.35
Interest tax credits	105.45
Total Tax Credits	105.45
Deductions for extinguished losses	0.00

Glenlea Forest Partnership (061-378-863)

2020 Partnership Tax Summary (IR7)

1 March 2019 to 29 February 2020

Falloon Family Trust

Interest	94.89
Passive income	7,718.31
Total Income	7,813.20
Interest tax credits	30.03
Total Tax Credits	30.03
Deductions for extinguished losses	0.00

Fenrich Limited

Interest	318.43
Passive income	25,900.37
Total Income	26,218.80
Interest tax credits	100.77
Total Tax Credits	100.77
Deductions for extinguished losses	0.00

Glenlea Lumber Company Limited

Interest	923.61
Passive income	75,124.87
Total Income	76,048.48
Interest tax credits	292.30
Total Tax Credits	292.30
Deductions for extinguished losses	0.00

Jerdi Holdings Limited

Interest	636.86
Passive income	51,800.74
Total Income	52,437.60
Interest tax credits	201.55
Total Tax Credits	201.55
Deductions for extinguished losses	0.00

Glenlea Forest Partnership (061-378-863)

2020 Partnership Tax Summary (IR7)

1 March 2019 to 29 February 2020

David Knott Family Trust

Interest	346.13
Passive income	28,153.70
Total Income	28,499.83
Interest tax credits	109.54
Total Tax Credits	109.54
Deductions for extinguished losses	0.00

McDell Holdings Limited

Interest	333.20
Passive income	27,102.15
Total Income	27,435.35
Interest tax credits	105.45
Total Tax Credits	105.45
Deductions for extinguished losses	0.00

Pukekura Pines Limited

Interest	318.43
Passive income	25,900.37
Total Income	26,218.80
Interest tax credits	100.77
Total Tax Credits	100.77
Deductions for extinguished losses	0.00

SED Investments Limited

Interest	159.21
Passive income	12,950.19
Total Income	13,109.40
Interest tax credits	50.39
Total Tax Credits	50.39
Deductions for extinguished losses	0.00

Glenlea Forest Partnership (061-378-863)

2020 Partnership Tax Summary (IR7)

1 March 2019 to 29 February 2020

Spanna Forests Limited

Interest	159.21
Passive income	12,950.19
Total Income	13,109.40
Interest tax credits	50.39
Total Tax Credits	50.39
Deductions for extinguished losses	0.00

Tangley Forests Limited

Interest	352.01
Passive income	28,632.02
Total Income	28,984.03
Interest tax credits	111.40
Total Tax Credits	111.40
Deductions for extinguished losses	0.00

Wild, John Richard

Interest	344.31
Passive income	28,005.23
Total Income	28,349.54
Interest tax credits	108.96
Total Tax Credits	108.96
Deductions for extinguished losses	0.00

Roger Dickie No 10 Limited

Interest	318.43
Passive income	25,900.37
Total Income	26,218.80
Interest tax credits	100.77
Total Tax Credits	100.77
Deductions for extinguished losses	0.00

Glenlea Forest Partnership (061-378-863)

2020 Partnership Tax Summary (IR7)

1 March 2019 to 29 February 2020

Donnelly, Mark

Interest	111.39
Passive income	9,059.95
Total Income	9,171.34

Interest tax credits	35.25
Total Tax Credits	35.25

Deductions for extinguished losses	0.00
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Wright, Suzanne Gaenor

Interest	679.31
Passive income	55,254.10
Total Income	55,933.41

Interest tax credits	214.98
Total Tax Credits	214.98

Deductions for extinguished losses	0.00
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Clarke, Tonia Jaine

Interest	360.89
Passive income	29,353.81
Total Income	29,714.70

Interest tax credits	114.22
Total Tax Credits	114.22

Deductions for extinguished losses	0.00
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