Granity Forest Limited

Financial Statements
for the Year Ended 28 February 2017

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Granity Forest Limited

Client Directory
For the Year Ended 28 February 2017

Director

Roger Ralph Dickie
Awatea
State Highway 3
Waverley

Registered Office

87 Weraroa Road
Waverley

Accountants

Markhams Waverley Limited
87 Weraroa Road
Waverley

Auditors

Silks Audit Chartered Accountants Limited
156 Guyton Street
Wanganui

Bankers

Bank of New Zealand
124-126 Victoria Avenue
Wanganui

Solicitors

Horsley Christie
14 Victoria Avenue
Wanganui

SILKS AUDIT SA CHARTERED ACCOUNTANTS LTD

Granity Forest Limited

Directors Annual Report
For the Year Ended 28 February 2017

The Board of Directors present their Annual Report including financial statements of the Company for the year ended 28 February 2017.

Directors interests:

Director holding office during the year was R R Dickie.

No entries were made into the company's register during the year.

The nature of the company's business is that of Afforestation, and there has been no change during the year

Administration fees of $4,320 and management fees & forest expenses of $7,034 have been provided to the company by companies in which R R Dickie, a director, has a controlling interest. These services were provided on normal commercial terms.

There were no company shares acquired or disposed of by directors during the year.

No employees or former employees were paid in excess of $100,000 in the year

There were no donations made by the company during the year

For and on behalf of the Board

_______________________________ Director

19 April 2017

Granity Forest Limited

Statement of Total Profit/Loss and Comprehensive Income
For the Year Ended 28 February 2017

	Feb 2017 $	*Feb 2016* $	*Budget* $
Operating Revenue			
Interest Received	6,806	10,968	720
Carbon Credit Sales (Net)	-	-	13,500
	6,806	10,968	14,220
Forest Expenses			
Fire Control	261	279	300
Management & Supervision Fees	6,028	6,782	8,048
	6,289	7,061	8,348
Operating Expenses			
Accountancy Fees	2,695	2,800	2,695
Administration	4,320	4,150	4,320
Audit Fees	1,750	1,750	1,575
Bank Fees	86	82	90
Depreciation for Period	293	311	293
Emission Trading Scheme	694	216	640
Legal Expenses	23	17	600
Meeting Costs	392	284	300
Repairs & Maintenance - Tracks & Dams	-	2,500	2,500
Statutory Supervisor	2,500	2,000	1,250
Subscriptions - Forest Health, Research, Kyoto	109	122	90
Sundry Expenses	347	222	2,000
Valuation - Forest	375	380	290
Weed & Pest Control	-	-	800
	13,585	14,835	17,443
Standing Charges			
Insurance - Public Liability	416	416	401
Insurance - Plantations	15,918	11,616	11,849
Rates	3,023	2,929	3,004
	19,357	14,961	15,254
Total Expenses	39,230	36,857	41,045
Loss for Tax Purposes	(32,425)	(25,888)	(26,825)
Plantation Revaluation Increase (Decrease)	549,000	790,000	-
Net Surplus/(Deficit)for Year	516,575	764,112	(26,825)
Less Provision for Taxation	144,641	213,951	-
Total Comprehensive Income	$371,934	$550,161	($26,825)

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

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

Granity Forest Limited

Statement of Changes in Equity
For the Year Ended 28 February 2017

	Share Capital $	Retained Earnings $	*2017* Total $
Opening Balance 1 March 2016	1,500,000	3,237,931	4,737,931
Comprehensive Income	-	371,934	371,934
Shares Issued			-
Dividends Paid			-
Transactions with Owners			-
Equity as at 28 February 2017	1,500,000	3,609,865	5,109,865

	Share Capital $	Retained Earnings $	*2016* Total $
Opening Balance 1 March 2015	1,500,000	2,687,770	4,187,770
Comprehensive Income	-	550,161	550,161
Shares Issued			-
Dividends Paid			-
Transactions with Owners			-
Equity as at 29 February 2016	1,500,000	3,237,931	4,737,931

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

Granity Forest Limited

Statement of Financial Position
As at 28 February 2017

	Note	Feb 2017 $	Feb 2016 $
Current Assets			
Accrued Interest		932	1,358
Cash and Cash Equivalents	5	193,262	225,323
Goods & Services Tax		1,597	1,927
		195,791	228,608
Non Current Assets			
Plantations	6		
Plantation Value		5,434,000	4,644,000
Revaluation for Year		549,000	790,000
	7	5,983,000	5,434,000
Property, Plant and Equipment	8		
Land		424,112	424,112
Land Improvements		4,582	4,875
		428,694	428,987
Total Assets		6,607,485	6,091,595
Less Liabilities			
Current Liabilities			
Accounts Payable		476	1,161
Non Current Liabilities	13		
Deferred Tax		1,497,144	1,352,503
		1,497,144	1,352,503
Total Net Assets		$5,109,865	$4,737,931
Represented by:			
Shareholders Equity			
Equity as at 28 February 2017	15	$5,109,865	$4,737,931

For and on behalf of the Board of Directors

Director

19 April 2017

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

Granity Forest Limited

Cashflow Statement
For the Year Ended 28 February 2017

	Note	Feb 2017	Feb 2016
		$	$
Cash Flows from Operating Activities			
Cash was provided from:			
Interest Received		7,232	13,678
Goods & Services Tax		330	442
		7,562	14,120
Cash was applied to:			
Operating Expenses		39,623	35,385
		39,623	35,385
Net Cash inflow (outflow) from operating activities	10	(32,061)	(21,265)
Cash Flows from Investing Activities			
Cash was provided from:		-	-
Cash was applied to:			
Cash Flows from Financing Activities			
Cash was provided from:			
Net increase (decrease) in cash held		(32,061)	(21,265)
Cash at Start of Year		225,323	246,587
Cash at End of Year		$193,262	$225,322

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

SILKS AUDIT CHARTERED ACCOUNTANTS LTD

Granity Forest Limited

Notes to the Financial Statements
For the Year Ended 28 February 2017

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The Financial Statements presented here are for the entity Granity Forest Limited, which is a company registered under the Companies Act 1993.

The financial statements of Granity Forest Limited have been prepared in accordance with the Financial Reporting Act 2013. The company is applying Tier 1 reporting standards.

These financial statements were authorised for issue by the Director on the 19 April 2017.

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 Company has designated itself to be profit-oriented.

New Zealand dollars are Granity Forest Limited 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 Financial Performance.

iii Granity Forest Limited has voluntarily deregistered from the Emissions Trading Scheme ("ETS") in relation to 281 ha of plantation forest.

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

iv Revenue on sales of goods is recognised when they are delivered and ready for use by the customer.

v Interest received is recognised on an accrual basis, with interest earned but not yet received recognised as an asset.

vi The entity is not a party to financial instruments with off balance sheet risk.

vii Property, plant and equipment is recorded at cost less accumulated depreciation. Land is recorded at cost. Depreciation has been calculated using the rates permitted by the Inland Revenue Department.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in the Statement of Comprehensive Income 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 cost or valuation less estimated residual value, over their estimated useful lives..

Major Depreciation rates are:
Land Improvements - 6% diminishing value

viii 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.

ix For the purposes of the cashflow statement, cash includes cash on hand and deposits held at call with banks.

x The income tax expense charged to the income statement includes both the current year's provision and the income tax effect of:

Taxable temporary differences, except those arising from initial recognition of goodwill and other assets that are not depreciated; and

Deductible temporary differences to the extent that it is probable that they will be utilised.

Temporary differences arising from transactions, other than business combinations, effecting neither accounting profit nor taxable profit are ignored.

Tax effect accounting is applied on a comprehensive basis to all temporary differences using the liability method. A deferred tax asset is only recognised to the extent that it is probable there will be future taxable profit to utilise the temporary differences.

xi The financial statements have been prepared on a GST exclusive basis, except for receivables and payables which are presented inclusive of GST.

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Granity Forest Limited

Notes to the Financial Statements
For the Year Ended 28 February 2017

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. RELATED PARTIES

The company paid administration fees of $4,320 (2016 - $4,150) and management fees and forest expenses of $7,034 (2016 - $6,782) to 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 $476 (2016 - $1,142). No related party debts have been written off or forgiven during the year.

4. BUSINESS

The principal activity of Granity Forest Limited is that of Afforestation. The company grows pinus radiata for the purpose of selling the harvest in 2024.

5. CASH AND CASH EQUIVALENTS

	Feb 2017 $	Feb 2016 $
B N Z Current Account	10,601	16,003
Corporate Trust Limited	98,251	94,622
BNZ Term Deposit	75,000	90,000
Deposit - Investment Fund	9,410	24,698
	$193,262	$225,323

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

6. PLANTATION DETAILS

The plantation is comprised of Pinus Radiata trees planted in the Hastings District. The Net Stocked Area of approximately 281 hectares was planted in 1996. The forest is a consumable immature biological asset.

7. PLANTATION REVALUATIONS

Valuer
The plantation was valued as at 28 February 2017 by Jeff Schnell, 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 Methodolgy
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.

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 28 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 2017) as reported by MPI. They range from $54 to $166 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

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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.

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 6.5% (the equivalent pre-tax discount rate is 8.84%) 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, but carbon credit prices have since declined significantly. 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.

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Granity Forest Limited

Notes to the Financial Statements
For the Year Ended 28 February 2017

8. PROPERTY, PLANT AND EQUIPMENT

	Opening Value	Additions/ Deletions	Closing Value
Land and Improvements - 2016 Year			
Cost - December 1996	439,900	-	439,900
Accumulated Depreciation	(10,602)	(311)	(10,913)
Net Book Value	429,298	(311)	428,987
Land and Improvements - 2017 Year			
Cost - December 1996	439,900	-	439,900
Accumulated Depreciation	(10,913)	(293)	(11,206)
Net Book Value	428,987	(293)	428,694

The latest land valuation set by Quotable Value for rating purposes in August 2016 was $750,000

9. EMISSIONS TRADING SCHEME

The company holds 20,467 NZUs (2016 - 39,559) on the New Zealand Emission Unit Register. The company elects to record these at their Nominal Amount ($0). The Fair Value of these NZUs based on prices offered by brokers as at 28 February 2017 is $363,289 (2016- $375,811)

Of the 20,467 NZU Units held at balance date, 20,467 are able to be sold without liability for future repurchase on harvest.

	Feb 2017 No.	*Feb 2016* No.
Opening Units Held	39,559	39,559
Emissions Trading Units Surrendered	(28,639)	-
Emissions Trading Units Allocation	9,547	-
Closing Units Held	20,467	39,559

10. CASH FLOW RECONCILIATION

Reconciliation of Cash Flows from Operating Activities:		
Reported Surplus for Year	516,575	764,112
Non Cash Item - Depreciation	293	311
Non Cash Item - Forest Revaluation	(549,000)	(790,000)
	(32,132)	(25,577)
Movements in Working Capital:		
(Increase)/Decrease in Accounts Receivable	-	-
Increase/(Decrease) in Accounts Payable	(685)	1,161
(Increase)/Decrease in Accrued Interest	426	2,710
(Increase)/Decrease in GST	330	442
	71	4,313
Net Cash Flow from Operating Activities	($32,061)	($21,265)

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Granity Forest Limited

Notes to the Financial Statements
For the Year Ended 28 February 2017

	Feb 2017 $	*Feb 2016* $
11. IMPUTATION CREDIT ACCOUNT		
Balance as at 28 February 2017	-	-

12. EVENTS AFTER BALANCE DATE

There have been no significant events after balance date.

13. INCOME TAX AND DEFERRED TAX

	Feb 2017 $	*Feb 2016* $
Surplus before Tax	516,575	764,112
Prima Facie Tax at 28%	144,641	213,951
Permanent Differences		
Different Deferred Tax Rate	-	-
Income Tax Expense	144,641	213,951
Represented by:		
Deferred Tax	144,641	213,951
	144,641	213,951

DEFERRED TAX LIABILITY

	Total
28 February 2015	1,138,552
Charged to Income	213,951
29 Febuary 2016	1,352,503
Charged to Income	144,641
28 February 2017	1,497,144

14. FINANCIAL INSTRUMENTS

Interest Rate Risk

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

Credit Risk

Financial Instruments which potentially subject the company 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.

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Granity Forest Limited

Notes to the Financial Statements
For the Year Ended 28 February 2017

Concentration of Credit Risk

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

Liquidity Risk

Liquidity risk represents the company's ability to meet its financial obligations on time. For the most part the company generates sufficient cash flows from its operating activities to make timely payments.

Currency Risk

The company 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 company considers that such risk is minimal given that no funds are owed to other financial institutions.

Financial Risk Strategy

The company risk management strategy is to use 100% equity finance from shareholders.

15. **SHARE CAPITAL**

Authorised Capital

1,562,500 ordinary shares	1,562,500	1,562,500

Issued and Paid Up Capital

1,562,500 issued shares	1,562,500	1,562,500
Less uncalled shares of 62,500	(62,500)	(62,500)
Total Issued and paid up capital	$1,500,000	$1,500,000

16. **JUDGEMENT AND ESTIMATE UNCERTAINTY**

The preparation of financial statements of necessity involves judgement and estimation. The only significant estimation required for the period is the plantation valuation which involves 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

Granity Forest Limited 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

SILKS AUDIT LTD CHARTERED ACCOUNTANTS SA

financial 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.

Have relied on a systems audit of FMNZ carried out in the late 90's and the intention from PF Olsen is to conduct another systems audit during 2017.

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

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

18. CAPITAL COMMITMENTS & OPERATING LEASES

There are no capital commitments, biological asset commitments nor operating leases as at balance date (2016 nil).

19. CONTINGENT ASSETS & CONTINGENT LIABILITIES

There were no contingent assets nor contingent liabilities as at balance date (2016 nil).

SILKS AUDIT
Chartered Accountants

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INDEPENDENT AUDITORS REPORT

To the Shareholders of Granity Forest Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Granity Forest Limited (the Company) on pages 3 to 15, which comprise the statement of financial position as at 28 February 2017, and the statement of 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 Company as at 28 February 2017, 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 Company 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 Company.

Other information

The directors are responsible on behalf of the company for the other information. The other information comprises the Directors Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based, on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Principals: Cameron Town, Talia Anderson-Town.

Whanganui Taranaki Manawatu Central Plateau Auckland

Directors Responsibilities for the Financial Statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the directors 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 directors are responsible on behalf of the Company for assessing the Company'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 directors either intend to liquidate the Company 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:
https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page6.aspx

Restriction on Distribution or Use

This report is made solely to the Shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company Shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Silks Audit

Cameron Town
Silks Audit Chartered Accountants Ltd
Whanganui, New Zealand

Date: 19 April 2017