Forest Partnership Report

April 2019

Greetings!

We are entering exciting times for forest owners as the next age class of our forests come into the harvesting process. Log prices remain buoyant, underpinned by strong demand from our exporters and with future price predictions looking positive. Our forest managers are very busy and have taken on three additional staff over the year, and continue to hire as this harvest and planting period builds.

As with all industry in New Zealand, the forestry sector is struggling to scale up and recruit and retain enough crews to harvest and transport our logs. In some instances, we know of brand-new logging trucks (worth $650,000) sitting in the transport operators' yards without any drivers. Skilled operators for harvest crews are in the same high demand. One long term forest participant said to me "there will be no wall of wood, because we lack the infrastructure to handle all our forest harvest requirements at once and so the harvest period will be extended".

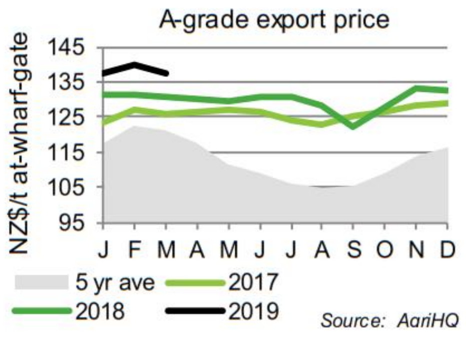
Because of the demand supply issues we have seen cartage and log harvest prices rise significantly; until more plant and personnel are deployed I cannot see these prices falling.

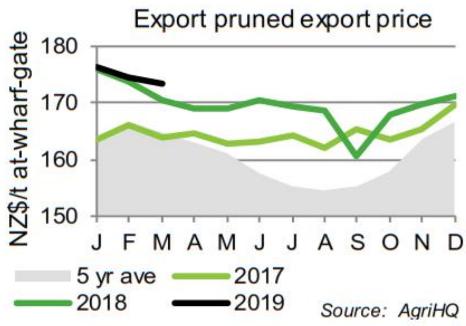
Log Markets

A recent report passed through the United Nations on the demand for forestry products. It predicts, that as the world increasingly moves towards a more sustainable resource base, the demand for forestry products will double by 2040. I recall forecasts made by Wink Sutton (a Tangoio forest partnership investor and a legend in New Zealand post war forestry research); around the turn of the century Wink did a lot of research on long term demand and future projections for wood, he predicted rising demand and rising prices for our logs. He maintains that this demand still exists, but perhaps is ten years behind his prediction. We can only hope that these predictions continue to play out moving forwards. Certainly, we are seeing a much more social and environmentally sustainable emphasis in both use and demand for renewable timber resources and investment into these asset classes.

2018 saw the largest volume of wood harvested in NZ in a calendar year. The latest numbers put roundwood removals at 36.09 million m3, climbing 2.08 million m3 or 6% above the previous calendar year record set in 2017. The extra logs are being moved straight onto the export market. In the year-to-Q4 2018, 60% of the total harvest was export logs, having never exceeded 57% at the same point any prior year.

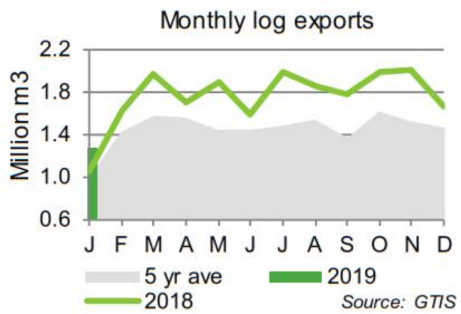
According to PF Olsen; at wharf gate (AWG) prices for logs delivered to ports around New Zealand decreased on average NZD $7 per JASm3 in April. This decrease in AWG prices is due to a combination of increased shipping costs and uncertainty in the China log market. While the demand for logs is at record levels, there is an imbalance between log and domestic wholesale prices. There are log vessels en route to China from New Zealand without confirmed Letters of Credit (LCs) and Chinese log buyers are using this opportunity to try and negotiate log prices down.





The domestic market for logs has continued the very stable start to 2019. On average, mills report sawn timber sales up about 5% on last year. Increases in consents for new dwellings continue to be dominated by the North Island cities, with consent numbers in the South Island down on this time last year.

Due to the drop in the AWG log prices the PF Olsen Log Price Index for April decreased $3 to $131. The index is currently $2 above the two-year average, $5 above the three-year average, and $13 higher than the five-year average.



Harvesting

Last year saw the completion of harvest for our two forests in South Taranaki; and in Hawkes Bay we have seven forests currently harvesting and 15 forests currently constructing roads in preparation for harvest. 2019 is going to see many more forests start their road construction and some more forests will start their harvest. Our harvest volumes have grown from 400,000JAS in 2017 to 700,000JAS this year and are expected to rise to just over 1,000,000JAS next year – that's enough logging trucks to park nose to tail from Wellington to Whangarei!!

Regarding budgeting as your forest enter the harvest cycle. The forest managers have made estimates on the cost of road lining your forests. Nearer to harvest you will be given a forecast cashflow for the harvest cycle of your forest. We need to reiterate that every effort has been made to ensure these forecasts are as accurate as possible, however there are a number of variables that remain outside our control and affect prices and harvest timing – no two forests are the same.

Carbon and the Emissions Trading Scheme

The government has finally outlined some changes to the Emissions Trading Scheme (ETS). Forestry Minister Shane Jones and Climate Change Minister James Shaw announced a second set of changes to the Emission Trading Scheme (ETS) as part of broader reforms to make the scheme fit-for-purpose.

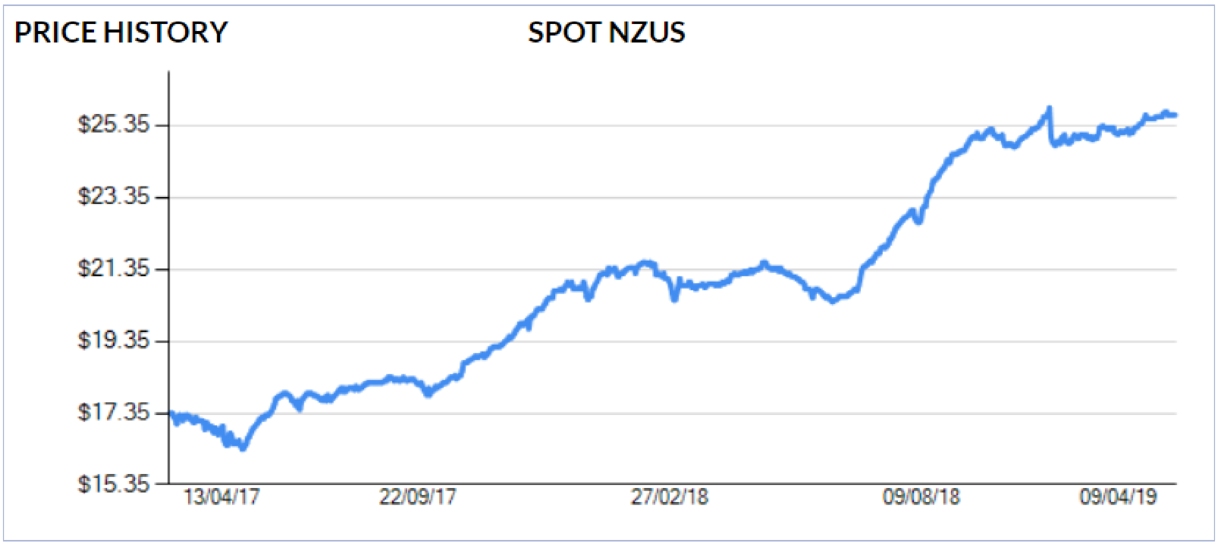
“This announcement includes the introduction of averaging accounting for all forests registered from January 1 2021 and the option to use the new accounting method for all forests registered in 2019 and 2020,” Shane Jones said.

“By taking a long-term view of the amount of carbon in a production forest, averaging means forest owners will be able to trade more carbon (NZUs) at lower risk, and not have to worry about finding units to repay when they harvest.” A good quality greenfields forest venture will be able to sequester and sell up to 500 tonne of NZU’s ($12,500 at today’s prices) per ha over the first 18 years under carbon averaging. This will not need to be paid back provided the forest is replanted after harvest.

These changes are only relevant for new forests planted on farmland. We are still waiting on release of documents outlining how (if at all) it will affect our existing forests. You will recall that we are continuing to fund the operating expenses from our forests from the free arbitrage carbon credits we were able to secure some years ago.

The carbon averaging scheme is good for greenfield foresters but also good for New Zealand Inc as it more easily allows the government to meet their emission reduction targets under worldwide climate change agreements.

The carbon price currently sits at the cap, with a review of this cap due in May this year. Some officials have suggested the cap will be progressively raised.

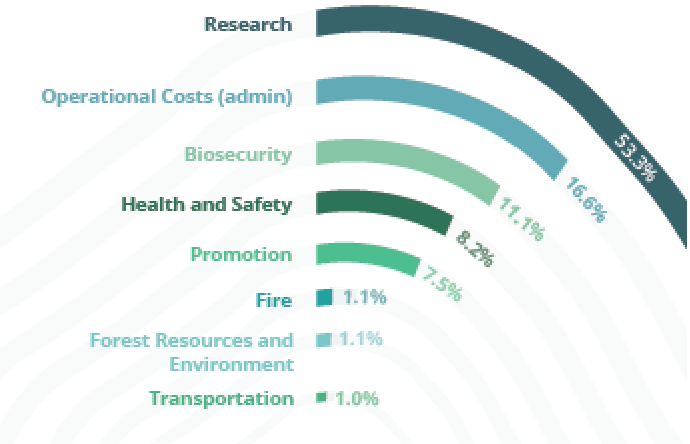


Forest Growers Levy

Forest owners voted in 2013 for all plantation forest owners to contribute to a fund that would support the expanding plantation forest industry.

The first levy vote was in 2013 and set the levy for six years with a levy range of 27c to 30c per harvested tonne of wood. The current levy is 27c.

In its first year the levy revenue was around $7.9m and in 2017 it was just over $9m. The graphic below shows the breakdown of the where the money is spent.
There is a second levy vote this month which will decide whether the levy will continue for another six years, and with an increase in levy range of 24c to 33c to provide additional flexibility if required.



As the money raised benefits all our forests we will be voting on behalf of the partnerships to continue the levy.

Public relations

My view is that more money needs to be spent on promotion, with the increased harvest it is reasonable to assume the levy collection will rise significantly. We now live in a different political environment where we have government decisions heavily influenced by opinion poll and social media. I feel the forest industry has been remiss in not standing up and enunciating clearly and repeatedly the good our forests do for the environment.

The very well televised Tolaga Bay flooding and forest debris damage incident (June 2018) is a case in point. In my opinion Forestry leaders put their head in the sand and made little comment. The house owner featured on TV was living in an illegal house on a flood plain. That flood plain had been protected from damaging and silt bearing floods for 28 years by the forests planted in that catchment. Just the same as farmers are now busy fencing their streams foresters will make changes to try and mitigate debris movement when massive storm events happen. The major intensity of the Tolaga Bay storm was isolated and resulted in 50 to 60 mm of rain falling in one hour after a period of heavy rain for the preceding two days, under this deluge nothing stops movement on the slopes.

Replanting and Second Rotation

Once harvest begins in a forest the partners will begin to receive harvest income. A small part of the income will be used to replant the harvested area on an annual basis, progressive planting takes place in order to ensure the forest doesn't revert to weeds thereby losing its value. Towards the end of harvest, the partners will get an opportunity to vote for the future of the forest i.e. they will vote to either continue the forest for a second rotation or sell the newly planted forest.

If the majority of partners vote to stay in for a second rotation, we will structure the second rotation a little differently in that it will be pre-funded. That is, the partners will leave some proceeds from harvest in the partnership. This will be deposited in an interest-bearing bank account and drawn on each year to cover management and holding costs, so if there are no major unforeseen expenses incurred there will be no share calls for the next rotation.

This idea is finding favour with investors as they do not want to commit their beneficiaries to having to make future contributions.

The greatest liquidity for a partner wanting to exit is at the time when the cost or value of their share in the partnership is at its lowest level i.e. immediately after replanting and we will facilitate the sale of those Partnership Interests.

A load of logs out of our Putere Block headed to the Napier Port.

The Nelson fires

2,300 ha of pine forest were destroyed in the Nelson fires, the largest in New Zealand for many years; we understand 60 % of the destroyed forest owned by an overseas company were not insured.

FENZ (Fire and Emergency New Zealand). Apparently, all costs incurred with a fire are now covered by FENZ. The industry has significant concerns about how this government mandated organisation was going to work and how it would be funded. There was discussion on a levy based on area or forest value. This could have become very expensive for forest owners.   In the meantime, we understand decisions on the funding of FENZ have been postponed to 2020

Because there is some doubt as to just what FENZ covers and what it doesn't we have maintained some fire cover in our forest insurance policy.

The final washup of the Nelson fires will provide more information as to just what FENZ covers.

Rail Transport of Logs

Kiwi Rail is slowly but steadily increasing its capacity for log cartage in all our areas. The Wairoa to Napier line is about to open again and Kiwi Rail have proposals to move logs from Wairoa south; it remains to be seen whether this is cost effective for us or not.

In my mind it is a great pity that the rail is not opened through to Gisborne as we need competition between ports. Gisborne is a small port but much more efficient at log export than Napier.

Napier Port IPO

We made submissions to the Napier Regional Council at the end of last year around the proposed new wharf upgrade at Napier. Mostly, when a cruise ship comes into the port, log loading operations have to cease, and the log ship has to leave the port so that the cruise ship can get in and out. As you can imagine this causes significant delays and inefficiencies for the log loading operations – all of which lead to increased costs for us as forest owners. 70 cruise ships came into Napier this year and we already know there are 90 next summer and 102 the summer following. We are working with our exporters to drive efficiencies here, and to ensure the port is not treating log exporters as second tier customers. The new wharf extension is not going to be completed until 2022.

Richard (Wal) Bourne Retirement


Granity 1996 – Carlsberg 2018

After 24 years of service Wal has finally decided it time to retire. We're very grateful for Wal's diligence and dedication to serving you and your forests. He remains an active investor so will be a regular face at the meetings, and hopefully able to provide support to the team from retirement mode when needed.

For the last two years Wal has been working reduced hours and imparting wisdom onto Grant, so it's business as usual in the office.

Not only will Wal be greatly missed by all the staff, but also many of you that he has got to know so well over the years.

Jeff Dickie joins the team

I am very pleased that my second son Jeff has now joined the business. Jeff completed a forestry degree and then had 12 years as a director of global markets division of ANZ. He is excited to continue growing the longstanding and successful family forestry investment business as well as establishing new initiatives for investment in commercial property assets. Jeff and Will are attending this year's AGMS.

Future Forestry Investment Opportunity

With carbon averaging now confirmed for greenfields properties, and the outlook for forestry and timber products continuing its positive trajectory, we are in the process of finalising offer documents for new forest investment opportunities.

To register your interest and receive priority information please call or email Grant or the investment team. (invest@rogerdickie.co.nz)

Regards

Roger Dickie

Will Dickie

GREENWOOD

Forest LP

Forest Managers Report March 2019

The summer conditions have generally been very kind to all of our forests and we hope this continues through the autumn and into the winter months. Conditions have been dry, but not too dry and we have had none of the cyclonic storms experienced last year.

The February fires in Wakefield have been a reminder to all forest owners and managers of just how destructive fire can be and the importance of being active in managing the potential fire risk in our forests. At FMNZ, we review and then implement our fire policy each summer. Along with FENZ, we monitor the conditions and as the fire risk rises, we ensure all of our contractors are aware of and are managing their risks in the forest.

The fire plan is a code based system and as the fire danger increases, the level of management increases also. For example, if the code goes from yellow to orange, all chainsaw operations, hauler, ground based and shovel logging operations should stop in the forest at 12.00 hours however, processing can continue until 15.30 hours.

Forest Health

Forest health is generally excellent. There is little sign of RNC around the forest at present, the small number of affected trees all have green growing tips evident.

Tracking

The main tracks through the forest remain in reasonable condition and most have a good covering of grass. The only maintenance carried out has been to clear a minor amount of windthrow and debris off the tracks during one of our forest visits. $5,000 was budgeted, we spent $10.

The next tracking maintenance is scheduled for October 2019.

Boundary Fences

The $3,500 budgeted for boundary fence repairs in last years' budget has not been spent. The neighbour has put his property on the market and decided the fence repairs can be erected by the new owner.

The floodgates on the Otara Station boundary require some repairs to make them stockproof and we will liaise with the neighbour on this. In the meantime his cattle are pugging up the tracks so it will be good to have them removed from the forest.

We have allowed $2,000 in the new budget for repairs to the Moore boundary.

Roadside Thinning

The $600 budgeted last year for roadside thinning has not been spent. Some of the work has been completed during a property visit and we will complete it during the next visit.

Weed and Pest Control

There are no weed issues in this forest at present.

Possum control was due for completion in March 2018 however as there has been little sign of damage in the forest this work has not been completed.

The next possum control is scheduled for October.

Wairoa Rail Hub

Kiwirail advise they have repaired the washout north Raupunga. The first log train should be on the tracks sometime in May of this year. Initially the service provided will be on Saturday and Sunday and will only be provided more frequently if there is sufficient demand.

We understand Kiwirail are currently working through details of the operation of the Wairoa Rail Hub. At this stage we are not sure what the service will cost per tonne so cannot compare it with the cost of trucking logs to the port as yet. All the way through the development of the rail proposal we have been clear that we will support the service if there is a demonstrable cost benefit in doing so and are therefore unwilling to commit volume to the service until the costs are clarified.

Napier Port Development

In November 2018, resource consent was granted for the construction of a new wharf at Napier Port. The wharf will run parallel to the existing rock retaining wall. It will be 350 metres long, 34 metres wide and will be supported by piles to be driven into the seafloor and be able to berth a ship up to 360 metres long.

At present, only one large container ship can moor at a time and with an increasing demand for larger ships wanting to use the port, Napier Port needs to be able to accommodate larger vessels and more than one ship at a time. By 2028 port traffic should have increased to include 7.3% more ships, 21.2% more cargo, 75% more cruise ships and 32.4% more logs.

Eastern Boundary

The consent also allows for further dredging to be carried out to accommodate a 14.5 metre berth pocket and a 12.5 metre swing basin (the area the ship turns in), deepened to 12.5 metres, in line with the ports' current depth. In the future and as required, both the swing basin and the shipping channel will be dredged to 14.5 metres to accommodate larger vessels in port.

Construction will commence in 2020 and should be completed sometime in 2022 and cost an estimated $142 million.

The Hawkes Bay Regional Council, a 100% beneficial owner of Napier Port, last year held a referendum to ascertain the preferred way to fund the growth of Napier Port over the next decade. The port needs $320 to $350 million of investment to allow for growth and future demand.

Around 3,500 people submitted during the consultation period and the preferred option was to float a minority stake in the Port on the NZX. Revenue generated from the sale of shares will fund the expansion of the Port facilities.

Aftermath of June 2018 Debris Damage at Tolaga

The two bouts of heavy rainfall in the Gisborne/Tolaga region in June 2018 left an estimated million tonnes of logs and debris strewn across property, roads and infrastructure. While some of the initial damage has been cleared, the effects of the slash mobilisation event continues to be felt.

Gisborne District Council has now brought charges against ten forestry companies and forest owners for breaching the conditions of their resource consents on the basis that these breaches caused, or contributed to the mobilisation of the slash. All of the forest companies have pleaded not guilty and are jointly defending the charges. The case should be heard in August. All of the forest industry is watching these proceedings with interest as regardless of the outcome, there will be a downstream effect for all foresters.

Meanwhile, while much of the initial damage has been cleared, every time there is rainfall, more slash is washed down the waterways and on to the beach, so the clean-up work is ongoing. While the forest companies initially cleared the beach at Tolaga following the June events, it remains littered with logs and slash that have subsequently appeared. The approach is to push the debris into a heap and burn it, assisted by a large fan to enable the fire to burn the wet material.

Gisborne Mill

The purchaser of the mill at the old Prime mill site in Gisborne, Far East sawmills is preparing a funding proposal to double the production of the mill. Additionally, regional plans are being made as to the creation of a $20m, Prime Wood Cluster Centre of Excellence on the site. This initiative is hoped to create 120 jobs along with the creation of 300 offsite jobs through supporting businesses.

One obvious need in Gisborne is for a business which chips or pulps binwood which would be of great assistance in helping foresters to clear unmerchantable wood out of the forest. Binwood is the majority of the material that was mobilised in June 2018 and is made up of offcuts, logs that do not meet specification, etc. With no facility to process this material, the forester has no option but to leave it in the forest.

Steve Bell
Forest Manager

PF Olsen Ltd
PO Box 1127 | Rotorua 3040 | New Zealand
P: 64 7 921 1010 | F: 64 7 921 1020
E: info@pfolsen.com | www.pfolsen.com

29 March 2019

Silks Audit Chartered Accountants
PO Box 7144
Wanganui 4541

Greenwood Forest - Tree crop valuation

As requested, we have assessed the fair value of the tree crop assets at Greenwood forest owned by Greenwood Forest LP. The purpose of this valuation is for reporting in the owner's annual accounts. This valuation of the tree crop meets the NZ IAS 41 accounting standard.

The tree crop market value is estimated as at 28 February 2019 at:

$2,393, 000 plus GST (if any)

The current productive net stocked area is estimated at 419.4 hectares.

This value estimate excludes the value of the land and the improvements thereon, other than the trees and any associated harvest roading. The value estimate does not include the contingent tax liability on the income arising from the sale of the trees, or the logs at maturity. Also excluded are costs and revenues associated with subsequent crops.

The value of the carbon trading opportunity is assessed as at 28 February 2019 at:

$664,000 plus GST (if any)

Valuation methodology
The market value of the tree crop is assessed by discounting a prospective purchaser's future costs and revenues at a discount rate of 6.0%. The discount rate is based on analyses of recent transactions in New Zealand, and therefore reflects the recent market for forests. Future costs and revenues are expressed in real (2019) NZ dollar terms, exclusive of GST.

The methodology adopted is described in the New Zealand Institute of Forestry (NZIF) Forest Valuation Standards (May 1999). The valuation report presented here is a brief outline of the method adopted and the assumptions made. It does not comply with all disclosure requirements contained in these standards. The reader is referred to the full valuation report entitled "Roger Dickie (NZ) Ltd – Tree Crop Valuation – March 2019" for a complete description of the methodology and assumptions.

Key inputs
Net stocked areas and forest condition are based on current best estimates as provided by the forest manager, Forest Management NZ Ltd (FMNZ). PF Olsen inspected a selection of forests and found that the forest information provided by FMNZ gave a fair representation of the tree crop growing in these forests.

Future yields are projected assuming current best practice management. Projected yields are based on measured starting points where data allows. Measurement data has been supplied by FMNZ. These data have been collected using industry standard methods and protocols. Projected yields have been calibrated to actual harvest yields where available. The timing of future clearfelling has been aligned with harvest plans reported by FMNZ where these exist.

Future operational costs are based on current industry standards and have been benchmarked against contract rates prevalent over the past year. Log prices are based on the average of the most recent three years to February 2019, as achieved at the ports in Gisborne, Napier and Wellington. No real price increase is assumed.

Tree crop value change analysis
As part of this valuation, we have examined the impact of changes in the forest description and valuation assumptions used to assess the tree crop value relative to the value estimated last year. This is accomplished by calculating the marginal contribution to the total change in tree crop value from updating each of the key factors in sequence.

Table 1: Tree crop value changes since last year

Change item	Tree Crop Value (000's)
Tree crop value last year	1,400
Update area	1,400
Advance date one year	1,607
Update yields, clearfell age	2,004
Update costs	914
Update log prices	2,080
Update discount rate	2,393
Tree crop value this year	**2,393**

Area changes, if any, are mainly the result of harvesting and minor remapping of the stocked area during the year, as advised by FMNZ.

Table 2: Reasons for area change since last year

Area change (ha)	Reason
0.0	No change

Adding one year to the valuation date adds physical growth and moves the forest one year closer to maturity.

Yield changes are the result of new yield tables introduced during the past year. These new yields have been calibrated to actual harvest yields from forests within the estate administered by Roger Dickie (NZ) Ltd. Planned clearfell ages have been reduced from 28 to 26, on average, based on harvest plans from FMNZ.

The costs for local authority rates and insurance have risen this year. The harvest-related costs of logging and road construction have increased over the past year, as the costs of labour and capital have gone up. In addition, demand for harvesting services has increased.

Prices for all radiata sawlogs have increased this year, while prices for pulp grades have remained relatively flat.

The discount rate applied in this valuation has been reduced from 6.5% to 6.0% to align with market evidence from recent forest transactions.

Harvest revenue

Based on the assumptions adopted for the purpose of this valuation, the owner of Greenwood forest is projected to receive a total net stumpage revenue of approximately $ 15,242,000 in year 2037.

This projected stumpage revenue is expressed in 2019 NZ dollar terms, and based on the projected yields, costs and log prices assumed in this valuation. The harvest year is based on a weighted average date of maturity for the forest. Harvest operations may commence sooner than, and last beyond, the year shown above.

Yours sincerely
PF OLSEN LIMITED

JEFF SCHNELL
Registered Forestry Consultant (NZIF)

ANDREW CLARKE
Registered Forestry Consultant (NZIF)

Disclaimer

This valuation was commissioned by Roger Dickie (NZ) Ltd for the purpose of reporting in the individual partnership, or owner, accounts. The valuation is not suitable for sale and purchase.

The tree crop values calculated within this report are based on our assessment of current costs and future revenues. This assessment of costs and revenues is not a promise or guarantee by PF Olsen Limited that these will be realised. No promise or warranty is given pertaining to the accuracy or completeness of information supplied by Roger Dickie (NZ) Ltd, Forest Management NZ Ltd, or by third parties, except to the extent that this has been validated by PF Olsen Limited.

This report is only for use by the entity that commissioned it and solely for the purposes stated above. PF Olsen Limited, and its employees, shall have no liability to any other person or entity in respect of this report, or for its use other than for the stated purpose. PF Olsen Limited and its employees accept no liability for indirect or consequential losses or damages arising from the use of this report under any circumstances.

PF Olsen Limited is an independent forestry management and consulting company. Our company relationship with Roger Dickie (NZ) Ltd is one of providing forestry services and advice on a fee and re-imbursement of costs basis. The owners or employees of PF Olsen Limited have no interest in, or relationship with Roger Dickie (NZ) Ltd, Forest Management NZ Ltd, or the Partnership, apart from that listed above.

Greenwood Forest LP
Forestry
Annual Report
for the Year Ended 28 February 2019

Contents *Page*

MARKHAMS WAVERLEY LIMITED
CHARTERED ACCOUNTANTS
WAVERLEY

Greenwood Forest LP

Statement of Total Profit/Loss and Comprehensive Income
For the Year Ended 28 February 2019

	Feb 2019	Feb 2018	Budget
	$	$	$
Operating Revenue			
Interest Received (Net)	971	579	60
Carbon Leasing (Net)	98,278	96,835	-
	99,248	97,414	60
Forest Expenses			
Fire Control	300	265	300
Management & Supervision Fees	6,467	6,168	10,239
Thinning	-	-	600
	6,767	6,433	11,139
Operating Expenses			
Accountancy Fees	2,790	2,735	2,790
Administration	4,536	4,440	4,536
Audit Fees	1,575	1,575	1,595
Bank Fees	86	87	60
Compliance	89	-	895
Depreciation for Period	855	1,900	1,565
Legal Expenses	55	95	600
Meeting Costs	416	362	450
Repairs & Maintenance - Fences	193	702	3,500
Repairs & Maintenance - Tracks & Dams	10	6,196	5,000
Subscriptions - Forest Health, Research, Kyoto	794	674	765
Sundry Expenses	207	80	2,000
Valuation	159	464	465
Weed & Pest Control	-	-	2,500
	11,764	19,309	26,721
Standing Charges			
Insurance - Public Liability & Buildings	583	530	500
Insurance - Plantations	3,655	13,206	13,315
Rates	12,248	10,513	10,660
	16,487	24,249	24,475
Total Expenses	35,018	49,991	62,335
Profit for Tax Purposes	64,230	47,423	(62,275)
Plantation Revaluation Increase (Decrease)	993,000	560,000	-
Net Surplus/(Deficit)for Year	1,057,230	607,423	(62,275)
Comprehensive Income	-	-	-
Total Comprehensive Income	$1,057,230	$607,423	($62,275)

DRAFT - Do not File Tax Return

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

Greenwood Forest LP

Statement of Changes in Equity
For the Year Ended 28 February 2019

	Note	*Capital Accounts*	*Retained Earnings*	*2019 Total*
Equity as at 1 March 2018		2,653,720	409,587	3,063,307
Total Comprehensive Income		0	1,057,230	1,057,230
Total Contributions From Partners		0	-	0
Total Transactions with Owners		0	-	0
Equity as at 28 February 2019		2,653,720	1,466,817	4,120,537

	Capital Accounts	*Retained Earnings*	*2018 Total*
Equity as at 1 March 2017	2,653,720	(197,836)	2,455,884
Total Comprehensive Income	0	607,423	607,423
Total Contributions From Partners	0	-	0
Total Transactions with Owners	0	-	0
Equity as at 28 February 2018	2,653,721	409,587	3,063,308

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

Greenwood Forest LP

Statement of Financial Position
As at 28 February 2019

	Note	Feb 2019 $	Feb 2018 $
Current Assets			
Cash and Cash Equivalents	4	157,737	107,238
Goods & Services Tax		2,732	-
		160,469	107,238
Non Current Assets			
Plantations	5		
Plantation Value		1,400,000	840,000
Revaluation for Year		993,000	560,000
	6	2,393,000	1,400,000
Property, Plant and Equipment	7		
Land & Buildings		1,553,505	1,553,505
Land Improvements		14,136	14,991
		1,567,641	1,568,496
Total Assets		4,121,110	3,075,733
Less Liabilities			
Current Liabilities			
Accounts Payable		573	-
Goods & Services Tax		-	12,426
		573	12,426
Total Net Assets		$4,120,537	$3,063,307
Represented by:			
Equity			
Capital Contributions per Schedule		2,653,721	2,653,721
Retained Earnings		1,466,816	409,586
		$4,120,537	$3,063,307

__________________ Roger Dickie

__________________ William Dickie

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

Greenwood Forest LP

Cashflow Statement
For the Year Ended 28 February 2019

	Note	Feb 2019	Feb 2018
		$	$
Cash Flows from Operating Activities			
Cash was provided from:			
Interest Received		971	579
Carbon Credit Sales		98,278	96,835
Goods & Services Tax		-	6,247
		99,248	103,661
Cash was applied to:			
Operating Expenses		33,591	48,621
Goods & Services Tax		15,158	-
		48,748	48,621
Net Cash inflow (outflow) from operating activities	8	50,500	55,040
Cash Flows from Financing Activities			
Cash was provided from:			
Net increase (decrease) in cash held		50,500	55,040
Cash at Start of Year		107,238	52,198
Cash at End of Year		$157,738	$107,238

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

Greenwood Forest LP

Notes to the Financial Statements
For the Year Ended 28 February 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Financial Statements presented here are for the entity Greenwood Forest LP, which is a Partnership registered under the Limited Partnership Act 2008.

The financial statements of Greenwood Forest LP 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 and is applying Tier 1 reporting standards.

These financial statements were authorised for issue by the partners on the 25 June 2019.

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 Greenwood Forest LP 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 Greenwood Forest LP has entered the Emission Trading Scheme ("ETS") in relation to 420 ha of plantation forest. Emission units are received from, or transferred to the government in respect of carbon stock changes in respect of this land. Carbon stocks are calculated in accordance with the climate change (forestry sector) regulations 2008. Some units received will have to be returned to the government upon harvest of the forest stock. As a result, units received are held at a nominal value and the units held are disclosed in the notes to the financial statements. Unit values will not be recorded in the income statement unless it is certain that the units will not be required to meet harvest obligations.

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

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. 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 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 assets' cost or valuation less estimated residual value, over their estimated useful lives.

Major Depreciation periods are:
Land Improvements - average 12 years

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.

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 Greenwood Forest LP is that of Afforestation. The partnership grows pinus radiata for the purpose of selling the harvest in 2039.

Greenwood Forest LP

Notes to the Financial Statements
For the Year Ended 28 February 2019

4. CASH AND CASH EQUIVALENTS

	Feb 2019	Feb 2018
B N Z Current Account	157,737	107,238
	$157,737	$107,238

The B N Z Bank holds a registered first mortgage and perfected security interest over the property.

5. PLANTATION DETAILS

The plantation is comprised of Pinus Radiata trees planted in the Gisborne District. The Net Stocked Area of approximately 419.5 hectares was planted in 2011 The forest is a consumable immature biological asset.

Reconciliation of Net Stocked Area	Feb 2019	Feb 2018
Opening Net Stocked Area (Approx.)	420	420
Less Area Harvested	-	-
Less Windthrow & Area Recalculation	-	-
Closing Net Stocked Area (Approx.)	420	420

6. PLANTATION REVALUATIONS

Valuer

The plantation was valued as at 28 February 2019 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 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.

Greenwood Forest LP

Notes to the Financial Statements
For the Year Ended 28 February 2019

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 26 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 2019) as reported by MPI. They range from $54 to $186 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 nclude 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 ssessment 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 6.0% (2018 - 6.5%) (the equivalent pre-tax discount rate is 8.1%) 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.

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 15% 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).

Greenwood Forest LP

Notes to the Financial Statements
For the Year Ended 28 February 2019

7. PROPERTY, PLANT AND EQUIPMENT

	Opening Value	Additions/ Deletions	Closing Value
Land and Improvements - 2018 Year			
Cost	1,596,288	-	1,596,288
Accumulated Depreciation	(25,892)	(1,900)	(27,792)
Net Book Value	1,570,396	(1,900)	1,568,496

	Opening Value	Additions/ Deletions	Closing Value
Land and Improvements - 2019 Year			
Cost	1,596,288	-	1,596,288
Accumulated Depreciation	(27,792)	(855)	(28,647)
Net Book Value	1,568,496	(855)	1,567,641

The latest capital value set by Quotable Value for rating purposes in July 2017 was $2,139,000

8. CASH FLOW RECONCILIATION

	Feb 2019	*Feb 2018*
Reconciliation of Cash Flows from Operating Activities.		
Reported Surplus for Year	1,057,230	607,423
Non Cash Item - Depreciation	855	1,900
Non Cash Item - Forest Revaluation	(993,000)	(560,000)
	65,085	49,323
Movements in Working Capital:		
(Increase)/Decrease in Accounts Receivable	-	-
Increase/(Decrease) in Accounts Payable	573	(530)
(Increase)/Decrease in GST	(15,158)	6,247
	(14,585)	5,716
Net Cash Flow from Operating Activities	$50,500	$55,040

Reconciliation of Cash Flows from Financing Activities

9. FINANCIAL INSTRUMENTS

Interest Rate Risk

The partnership has exposure to interest rate risk to the extent that it borrows on call at call rates. The partnership manages its cost of borrowing by a scheduled repayment of all borrowing within the next two years.

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 Balance Sheet. The amounts set out are the maximum exposures and are net of any recognised provision for losses on these financial instruments. The bank holds a first mortgage over the partnership property.

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 operating activities to make timely payments.

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 there will be no funds owed to other financial institutions at the end of a two year perio.

Currency Risk

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

Financial Risk Strategey

The Partnership risk management strategy is to use 100% equity finance from the partners.

10. **EVENTS AFTER BALANCE DATE**

There have been no significant events after balance date.

11. **EMISSIONS TRADING SCHEME**

Greenwood Forest LP holds 0 NZUs (2018 - 0) on the New Zealand Emission Unit Register. The Partnership 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 2019 is Nil

12. **CAPITAL COMMITMENTS & OPERATING LEASES**

There are no capital commitments, biological asset commitments nor operating leases as at balance date (2018 nil).

13. **CONTINGENT ASSETS & CONTINGENT LIABILITIES**

There were no contingent assets nor contingent liabilities as at balance date (2018 nil).

14. **RELATED PARTIES**

The partnership paid administration fees of $4,536 (2018 - $4,440) and management fees and forest expenses of $8,015 (2018 - $8,415) 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 $573 (2018 - $0). 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 referred to above.

Forest Plantation

Greenwood Forest LP 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 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 Shares in the Partnership. The number of Partnership Shares 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 Shares held by them in the Partnership. Capital contributions are in accordance with an annually approved budget.

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

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

Greenwood Forest LP

IRD No 107-196-781

Statement of Changes in Equity

For the Year Ended 28 February 2019

	EQUITY ACCOUNTS					TAX RETURN
	Balance 2018	Calls for Year	Sales Entries	Profit or Loss	Balance 2019	Share of Tax Profit
5B Holdings Limited	106,149	-	-	-	106,149	2,569
Aharon, S & C as Trustees	106,149	-	-	-	106,149	2,569
Bald Hill Investments Limited	53,074	-	-	-	53,074	1,285
Braun, M G	106,149	-	3,184	-	109,333	2,646
Brazier, D J & E J as Trustees	64,588	-	12,667	-	77,255	1,870
Cook, M R	106,149	-	20,812	-	126,961	3,073
de Leeuw, R G & C E as Trustees	106,149	-	-	-	106,149	2,569
Denton, R	53,074	-	-	-	53,074	1,285
Edwards, A W	26,538	-	-	-	26,538	642
Esan Property Limited	27,953	-	2,123	-	30,076	728
Gingold, Y I	106,149	-	-	-	106,149	2,569
Gingold, C O	106,149	-	-	-	106,149	2,569
Gingold, N H L	106,150	-	-	-	106,150	2,569
Graham, S J	55,282	-	1,656	-	56,938	1,378
Hicks, G D & H M	55,282	-	-	-	55,282	1,338
KAB Limited	26,538	-	793	-	27,330	661
Kent, R H A & D J	53,074	-	1,592	-	54,666	1,323
Kent, S C I	55,282	-	1,656	-	56,938	1,378
Lambie, B J	106,149	-	3,184	-	109,333	2,646
Loveday, W as Trustee	55,282	-	8,280	-	63,562	1,538
Oratia Pines Limited	106,149	-	-	-	106,149	2,569
Paddison, A & S	106,149	-	-	-	106,149	2,569
Prendergast, L	26,538	-	-	-	26,538	642
Roger Dickie (No 32) Limited	106,149	-	-	-	106,149	2,569
Scotlink Limited	26,538	-	-	-	26,538	642
Steinhauser, M	53,074	-	-	-	53,074	1,285
Stephen-Smith, E	26,538	-	-	-	26,538	642
Stephenson, N J	74,170	-	(74,170)	-	-	-
Tipping, A M	106,149	-	-	-	106,149	2,569
Turnbull, M K	106,149	-	3,184	-	109,333	2,646
Tuten, J C III	106,149	-	-	-	106,149	2,569
R M & S T Wells Partnership	53,074	-	-	-	53,074	1,285
West, J & L and Delugar, J as Trustees	53,074	-	7,961	-	61,035	1,477
White, P D & J C as Trustees	110,621	-	-	-	110,621	2,677
Wilkinson, D C	58,820	-	7,077	-	65,897	1,595
Zoll, L G & Z M	53,074	-	-	-	53,074	1,285
	2,653,721	-	-	-	2,653,721	64,230
Retained Earnings	409,586	1,057,230	-	-	1,466,816	
Total Equity	3,063,307	1,057,230	-	-	4,120,537	

2019 year is a PROFIT for Tax Purposes

DRAFT - Do not File Tax Return

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