

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

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Irongate Forest Partnership

Statement of Total Profit/Loss & Other Comprehensive Inc 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	3,022,281	1,923,697	3,552,909
<u>Less Cost of Sales</u>			
Harvesting Costs	967,302	558,410	560,250
Cartage	457,389	257,619	216,000
Forest Grower Levy	6,340	3,627	-
Management Fee	120,891	76,948	70,200
Environmental Standards Expense	1,399	3,224	-
Temporary Roding & Maintenance	774,152	0	908,550
Weighbridge	8,308	4,807	-
	<u>2,335,782</u>	<u>904,634</u>	<u>1,755,000</u>
<u>Gross Profit from Harvesting</u>	686,499	1,019,063	1,797,909
<u>Other Operating Revenue</u>			
Interest Received	8,030	7,705	249
	<u>8,030</u>	<u>7,705</u>	<u>249</u>
<u>Net Operating Revenue for Period</u>	<u>\$694,528</u>	<u>\$1,026,768</u>	<u>\$1,798,158</u>

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

Irongate Forest Partnership

Statement of Total Profit/Loss & Other Comprehensive Inc 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>	694,528	1,026,768	1,798,158
<u>Forest Expenses</u>			
Planting & Blanking - Labour	1,102	-	2,300
Planting & Blanking - Trees	950	-	15,125
Releasing - Labour	460	-	1,250
Releasing - Chemical	21	-	-
Pre-Plant Preparation	574	-	1,050
Fire Control	300	300	300
Management & Supervision Fees	7,964	6,735	14,865
Plot Imputation	-	4,094	-
Harvesting Planning & Pre-Harvest Inventory	-	4,962	-
	<u>11,371</u>	<u>16,091</u>	<u>34,890</u>
<u>Operating Expenses</u>			
Accountancy Fees	3,665	2,790	3,665
Administration	4,680	5,026	7,710
Audit Fees	2,995	1,575	2,705
Bank Fees	77	93	150
Compliance	950	876	636
Depreciation for Period	267,292	45,604	267,292
Emission Trading Scheme	48	-	-
Legal Expenses	122	55	600
Mapping	68	965	-
Meeting Costs	880	1,083	1,000
Repairs & Maintenance - Fences	6,202	579	10,000
Statutory Supervisor	1,250	1,250	1,500
Subscriptions - Forest Health, Research, Kyoto	742	849	598
Sundry Expenses	308	288	2,305
Valuation - Forest	668	159	725
Weed & Pest Control	2,033	1,262	5,300
	<u>291,979</u>	<u>62,453</u>	<u>304,186</u>
<u>Standing Charges</u>			
Insurance - Public Liability	1,000	805	885
Insurance - Plantations	51,165	30,300	33,330
Rates	3,549	3,372	3,453
	<u>55,713</u>	<u>34,477</u>	<u>37,668</u>
<u>Total Expenses</u>	<u>359,064</u>	<u>113,022</u>	<u>376,744</u>
<u>Net Operating Surplus for Period</u>	335,465	913,746	1,421,414
Fair Value Movement -			
Plantation Revaluation Increase (Decrease)	(1,824,000)	5,467,000	-
Liability-free NZU Value Increase (Decrease)	39,919	789,375	-
<u>Net Surplus/(Deficit) for Year</u>	(1,448,616)	7,170,121	1,421,414
Comprehensive Income	-	-	-
<u>Total Comprehensive Income</u>	<u>(\$1,448,616)</u>	<u>\$7,170,121</u>	<u>\$1,421,414</u>

Irongate Forest Partnership

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

	<i><u>Note</u></i>	<i>Capital Accounts</i>	<i>Retained Earnings</i>	<i><u>2020</u> Total</i>
Equity as at 1 March 2019		3,236,999	14,145,714	17,382,713
Total Comprehensive Income		335,465	(1,784,081)	(1,448,616)
Total Contributions To Partners		(2,539)	-	(2,539)
Equity as at 29 February 2020		<u>3,569,925</u>	<u>12,361,633</u>	<u>15,931,558</u>

		<i>Capital Accounts</i>	<i>Retained Earnings</i>	<i><u>2019</u> Total</i>
Equity as at 1 March 2018		2,522,146	7,889,339	10,411,485
Total Comprehensive Income		913,746	6,256,375	7,170,121
Total Contributions To Partners		(198,893)	-	(198,893)
Equity as at 28 February 2019		<u>3,236,999</u>	<u>14,145,714</u>	<u>17,382,713</u>

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

Irongate 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		1,920	-
Accounts Receivable		-	441,858
Cash and Cash Equivalents	4	533,545	432,163
NZ ETS Units		<u>838,294</u>	<u>798,375</u>
		1,373,759	1,672,396
<u>Non Current Assets</u>			
<u>Plantations</u>			
Plantation Value		14,958,000	9,491,000
Revaluation for Year	6	<u>(1,824,000)</u>	<u>5,467,000</u>
		13,134,000	14,958,000
<u>Property, Plant and Equipment</u>			
	7		
Land		277,919	277,919
Land Improvements		<u>1,163,919</u>	<u>865,999</u>
		1,441,838	1,143,918
<u>Total Assets</u>		<u>15,949,597</u>	<u>17,774,314</u>
<u>Less Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable		7,350	381,796
Goods & Services Tax		<u>10,690</u>	<u>9,804</u>
		18,039	391,601
<u>Total Net Assets</u>		<u>\$15,931,558</u>	<u>\$17,382,713</u>
Represented by:			
<u>Equity</u>			
Capital Contributions per Schedule		3,569,924	3,236,998
Retained Earnings		<u>12,361,634</u>	<u>14,145,715</u>
		<u>\$15,931,558</u>	<u>\$17,382,713</u>

Roger Dickie

William Dickie

Date

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

Irongate Forest Partnership

Cashflow Statement For the Year Ended 29 February 2020

	<u><i>Note</i></u>	<u><i>Feb 2020</i></u> \$	<u><i>Feb 2019</i></u> \$
<u>Cash Flows from Operating Activities</u>			
Cash was provided from:			
Interest Received		8,030	7,705
Operating Income		3,464,139	1,481,840
Carbon Credit Sales		-	42,201
Goods & Services Tax		885	14,867
		<u>3,473,053</u>	<u>1,546,612</u>
Cash was applied to:			
Operating Expenses		<u>2,648,983</u>	<u>745,213</u>
		2,648,983	745,213
Net Cash inflow (outflow) from operating activities	8	<u>824,070</u>	<u>801,400</u>
<u>Cash Flows from Investing Activities</u>			
Cash was applied to:			
Purchase of Property, Plant and Equipment		<u>720,149</u>	<u>755,714</u>
Net cash inflow (outflow) from investing activities		(720,149)	(755,714)
<u>Cash Flows from Financing Activities</u>			
Cash was provided from:			
Payouts to Partners		<u>(2,539)</u>	<u>(198,892)</u>
Net cash inflow (outflow) from financing activities		(2,539)	(198,892)
Net increase (decrease) in cash held		<u>101,382</u>	<u>(153,207)</u>
Cash at Start of Year		<u>432,163</u>	<u>585,370</u>
Cash at End of Year		<u><u>\$533,545</u></u>	<u><u>\$432,163</u></u>

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

Irongate 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 Irongate Forest Partnership, which is a Partnership registered under the Partnership Act 1908.

The financial statements of Irongate 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 24 June 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 Irongate 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.

Irongate Forest Partnership

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

- 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.
- 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 27 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.

- 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

2. AUDIT

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

3. BUSINESS

The principal activity of Irongate Forest Partnership is that of Afforestation. The partnership grows pinus radiata for the purpose of selling the harvest in 2021 and 2025.

Irongate Forest Partnership

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

Feb 2020

Feb 2019

4. CASH AND CASH EQUIVALENTS

B N Z Current Account	239,900	88,672
B N Z Deposit - Investment Fund	293,646	343,491
	<u>\$533,545</u>	<u>\$432,163</u>

Deposit - Investment Fund

The deposit is available to fund any future obligation that Irongate Forest Partnership may assume under its arrangement with other partnerships in the Roger Dickie Group Investment Fund. Irongate 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 Hastings District. The Net Stocked Area of approximately 330 hectares was planted in 1993 (304ha) and 1997 (26ha). The forest is a consumable immature biological asset.

	<u>Feb 2020</u>	<u>Feb 2019</u>
<u>Reconciliation of Net Stocked Area</u>		
Opening Net Stocked Area (Approx.)	330	335
Less Area Harvested	-	(19)
Less Windthrow & Area Recalculation	-	14
Closing Net Stocked Area (Approx.)	<u>330</u>	<u>330</u>

6. PLANTATION REVALUATIONS

Valuer

The plantation was valued as at 29 February 2020 by Denny Du, 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.

Please note the information in Note 6 has not been updated for 2020 as we are awaiting the final valuation reports. The Audited Financial Statements will include the updated information.

Irongate 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 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 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.

Irongate Forest Partnership

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

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. 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 8.1% 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)

Irongate 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	292,199	901,651	1,193,850
Accumulated Depreciation	<u>(4,328)</u>	<u>(45,604)</u>	<u>(49,932)</u>
Net Book Value	<u>287,871</u>	<u>856,047</u>	<u>1,143,918</u>
 <u>Land and Improvements - 2020 Year</u>			
Cost - February 1995	1,193,850	565,212	1,759,062
Accumulated Depreciation	<u>(49,932)</u>	<u>(267,292)</u>	<u>(317,224)</u>
Net Book Value	<u>1,143,918</u>	<u>297,920</u>	<u>1,441,838</u>

The latest capital value set by Quotable Value for rating purposes in August 2019 was \$1,030,000

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	(1,448,616)	7,170,121
Non Cash Item - Depreciation	267,292	45,604
Non Cash Item - Forest Revaluation	1,824,000	(5,467,000)
Non-Cash Item - NZU Revaluation	<u>(39,919)</u>	<u>(789,375)</u>
	602,757	959,350
 Movements in Working Capital:		
(Increase)/Decrease in Accounts Receivable	441,858	(399,657)
(Increase)/Decrease in Prepayments	(1,920)	-
Increase/(Decrease) in Accounts Payable	(219,510)	226,839
(Increase)/Decrease in GST	<u>885</u>	<u>14,867</u>
	<u>221,313</u>	<u>(157,951)</u>
Net Cash Flow from Operating Activities	<u>\$824,070</u>	<u>\$801,400</u>

9. FINANCIAL INSTRUMENTS

Interest Rate Risk

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

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

Irongate Forest Partnership

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

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.

11. EMISSIONS TRADING SCHEME

Irongate Forest Partnership has voluntarily deregistered from the Emissions Trading Scheme ("ETS") in relation to 330 ha of plantation forest.

Irongate Forest Trustee Limited has replaced Corporate Trust Limited as trustee holding the Partnership land as registered proprietor in trust for the Partnership. Irongate Forest Trustee Limited holds 31,935 NZUs (2019 - 31,935) on the New Zealand Emission Unit Register on behalf of the partners.

During the year, 0 NZU's were sold. Of the 31,935 NZU Units held at balance date, 31,935 are able to be sold liability free, including 360 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 \$838,294 (2019 - \$798,375)

	<u>Feb 2020</u> No.	<u>Feb 2019</u> No.
Opening Units Held	31,935	31,935
Closing Units Held	<u>31,935</u>	<u>31,935</u>

12. CAPITAL COMMITMENTS & OPERATING LEASES

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

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

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 \$3,022,281 (2019 - \$1,923,697) 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 \$0 (2019 - \$441,858)

The partnership paid administration fees of \$4,680 (2019 - \$5,026), commission on NZU Sales of \$0 and management fees and forest expenses of \$24,116 (2019 - \$1,422,001) and forest harvest management fees of \$120,891 (2019 - \$76,948) 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 \$7,350 (2019 - \$381,796). 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

Irongate 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 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.

Irongate Forest Partnership

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

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 8 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)

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

Irongate Forest Partnership

IRD No 060-931-348

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
Boston, R J	67,218	6,799	-	(51)	-	73,966	6,799
Boyd, N T & G L	138,196	13,978	-	(106)	-	152,068	13,978
Bushmills Forestry Resources Limited	149,197	15,091	-	(114)	-	164,174	15,091
Cleary, M C	68,987	6,978	-	(53)	-	75,912	6,978
Court Forestry Investments Limited	81,962	8,290	-	(63)	-	90,189	8,290
Foresight Forestry Limited	132,667	13,419	-	(102)	-	145,984	13,419
Foxton Forestry Limited	138,434	14,002	-	(106)	-	152,330	14,002
Greve's Forest Limited	132,667	13,419	-	(102)	-	145,984	13,419
Gumnut Gully Limited	132,667	13,419	-	(102)	-	145,984	13,419
Highway Motor Inns Limited	132,667	13,419	-	(102)	-	145,984	13,419
Johansen, Karen A	14,921	1,509	-	(11)	-	16,418	1,509
Jackson Forests Limited	132,667	13,419	-	(102)	-	145,984	13,419
Lines, A J	135,338	13,689	-	(104)	-	148,923	13,689
M.S. Colley & Associates Limited	132,667	13,419	-	(102)	-	145,984	13,419
Olsen, J C Estate	132,667	13,419	-	(102)	-	145,984	13,419
Omundsen, T J	138,434	14,002	-	(106)	-	152,330	14,002
Petrah Limited	144,139	14,579	-	(110)	-	158,607	14,579
R.M. & R.E. Aitken Limited	34,157	3,455	-	(26)	-	37,586	3,455
Schmidli Forestry Limited	132,667	13,419	-	(102)	-	145,984	13,419
Siobhan Limited	140,141	14,175	-	(107)	-	154,208	14,175
Smitherman-Cairns, J & R	21,209	2,145	-	(16)	-	23,338	2,145
Standard 119 Limited	132,667	13,419	-	(102)	-	145,984	13,419
Steter McForestry Limited	149,569	15,128	-	(114)	-	164,583	15,128
Terra Nova Partners Limited	132,667	13,419	-	(102)	-	145,984	13,419
Whitley Forestry Limited	132,667	13,419	-	(102)	-	145,984	13,419
Wild, J R	181,313	18,339	-	(139)	-	199,513	18,339
Zingel Irongate Limited	121,461	12,285	-	(93)	-	133,654	12,285
Roger Dickie No 8 Limited - see Note 16	52,984	13,419	-	(102)	-	66,301	13,419
	3,236,998	335,465	-	(2,539)	-	3,569,924	335,465
Retained Earnings	14,145,715	(1,784,081)	-	-	-	12,361,634	
Total Equity	17,382,713	(1,448,616)	-	(2,539)	-	15,931,558	

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