FOREST Management NEW ZEALAND LTD

Roxburgh

Forest Partnership

Forest Managers Report - March 2016

Meteorologists tell us New Zealand weather is experiencing a strong El Niño phase this summer. This generally means stronger or more frequent winds from the west which cause a high drought risk in the east and more rain than normal in the west. The conditions on the ground however, have been quite different. The Gisborne region generally remains green, Hawkes Bay is only now starting to get dry and the Taranaki/Whanganui region has received little rain all summer. While this has meant we may well have over prepared for the fire season, the conditions have been ideal for tree growth and health and the forests reflect this.

Roxburgh Forest has had an unusually dry summer and are well behind the average rainfall for this time of year. Although it has been dry, we have already had the first frost for the year.

Forest health is excellent. The trees have made strong growth this season and the forest is looking better than it has in the past. Even the areas with smaller trees are showing new growth. Some of the trees on the main ridges have made such good growth that we will need to prune some of them back to keep the track access open.

The tracks are generally in good accessible order and require no maintenance apart from a bit of shovel work around the culverts to keep them all open. The dry summer has meant the fire dam is presently very low and hopefully some autumn rain will remedy that in the near future.

We are seeing a bit more broom and gorse along the track edges and have made provision in the budget to spray these weeds.

There is no sign of pest damage in the forest. The regular hunting in the block has made a real difference. We are also having less trouble with poachers and trespassers since the new signs were put up.

The new neighbours who purchased Onslow Forest need to be cautioned regarding trespassing also. They have had a tractor in the forest and driven up an old planting track and driven over a few trees en route. We will make contact with them about this unauthorised access.

.

Over the past months, NZUs have risen in value to over $10 per unit and many commentators believe they will continue to climb in value. The outcome of the ETS review may have some influence on this, particularly if the 2:1 subsidy available for emitters is removed. At $10 plus, we are starting to see a few more of our private clients looking to monetise their units however, most are waiting for the outcome of the ETS review and to see if the price may climb higher.

As at the end of February, Roxburgh Forest held 6,654 NZUs in their NZEUR account. We did not file an emissions return last financial year to save cost however, now the NZU price is on the rise, it is the intention to file a return next January to cover two years sequestration. This will provide for the allocation of a further 4,371 units.

- The Forest Growers Levy Trust (FGLT) was established in 2013 to manage the proceeds of the newly introduced levy on plantation timber products. The trust is responsible for the distribution of the levy collected ($7.62m for 2015), into research, biosecurity, safety, transport, fire prevention and forest industry promotion and advocacy. Each year FGLT trustees review the work programme, confirm the budget for the year and set the levy rate. The levy is presently 27c per tonne.
- The work programme of $7.632m approved for 2016 includes:
- $4.478m for forest research. The focus is on sustainable intensification of radiata forests or "growing more timber on the same area of land without any harm to the environment." Other research projects include diverse species, Phytophera sciences and fire research.
- Forest health and bio-security $1.007m. Includes the forest health surveillance scheme $800,000. The scheme aims to detect new incursions before they can establish in our plantations.
- $585,000 to the Forest Industry Safety Council established in 2015, co-funded by ACC and Worksafe.
- Transportation $277,000 and includes road safety and state highway analysis
- Industry promotion including NZ Wood promotions $400,000
- Environment $272,000 which includes steepland harvesting research

The levy seems to be working well and means that all forest owners, come harvest time, make a contribution to industry good initiatives. Prior to the introduction of the levy, much of the cost of these initiatives was borne by only some forest owners, even though all forest owners received the benefit of these activities.

The Health and Safety at Work Act 2015 and Regulations comes into effect on 4th April this year. The new legislation changes the focus from monitoring and recording health and safety incidents to actively identifying and managing risks to keep everyone safe by avoiding workplace incidents.

It also introduces a new legal concept of a Person Conducting a Business or Undertaking (PCBU) who has the primary responsibility for ensuring the health and safety of workers. While a PCBU is generally a business rather than an individual, officers and directors of the business can now be held liable and fined for health and safety breaches if they have not complied with their due diligence responsibilities by ensuring the safety of all who may be affected by their business. It is therefore important that everyone is a stakeholder in the management of health and safety.

Due diligence "is not done by merely hoping others would or could do what they were told, but also ensuring they have the skills to execute the job they are required to do and then ensuring compliance with that in accordance with best practice. Compliance requires a process of review and auditing, both formal and random, in order to ensure that the safe standards established are in fact being adhered to and under ongoing review."

The legislation has major ramifications for the forest industry and the way in which health and safety is managed. At FMNZ we take health and safety seriously and have employed a full time staff member to manage our policy and procedures to ensure ongoing compliance with the regulations. In addition, we recently rolled out our updated Health and Safety Policy and Procedures and have engaged an independent auditor to review these documents to ensure they are fit for purpose and enable us to continue to maintain a safe working environment.

FMNZ:
P.O. Box 14, Waverley 4544
South Taranaki, New Zealand
Email: fmnz@fmnz.co.nz

Steve Bell
Forest Manager

Forest Partnership Report

18 March 2016

Hello,

This has been another positive year for our forest estate.

Although the spring forecasts for the East Coast were for a dry summer due to the El Nino weather pattern, we have actually received good summer rainfall and all of our forests are in good heart as a result.

Valuations

You will be pleased to see the valuation of your forest asset shows an average increase of 17.8% over the 2015 valuation. A copy of the valuation is enclosed.

The forecast net stumpage at harvest for the forest, based on the increased values can be found on the last page of the valuation. From this you can calculate your net stumpage relative to your percentage of partnership interest/shareholding.

Carbon Market – Emissions Trading Scheme

As at today, the price of NZUs has climbed to $11 and will hopefully continue to move north. We believe many emitters have been holding back on purchasing units until there was clarity around the ETS review and whether the 2:1 subsidy would be removed or not.

On 17th March our climate change minister, Paula Bennett said that "It was a matter of when not if" the two for one subsidy for carbon emitters would be removed. This had an immediate effect on NZU prices which climbed to $11 by the end of the days' trading.

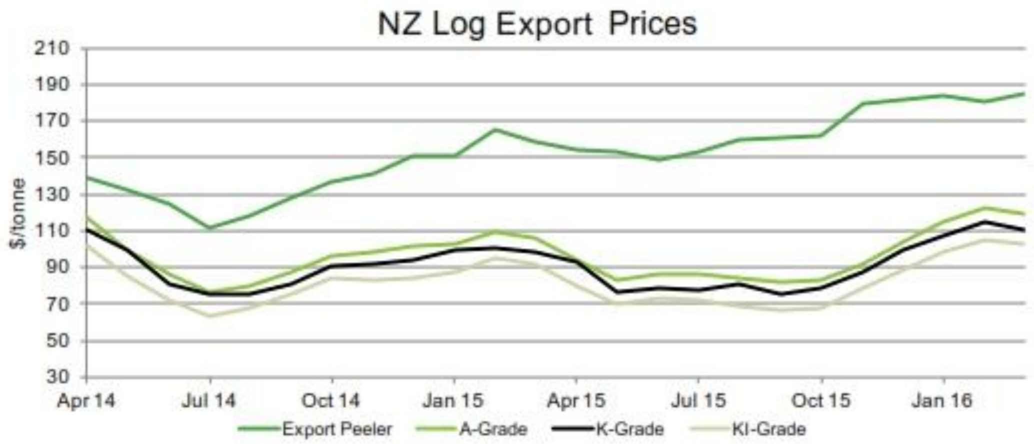
The NZ Emissions Trading Scheme is currently under review and we await the outcome, but based on the Ministers' comments, we are optimistic it will be positive for forestry. We know NZ is presently in a net deforestation situation and if the ETS is to remain an effective carbon management tool, foresters need a clear signal from the government via the ETS to give them the confidence to start planting again.

The NZU sales strategy we have adopted to fund the operating expenses of the forests enables us to take advantage of the rising NZU price. We are selling smaller parcels of units on an as required basis.

Log Markets

Many commodities on the world markets have had a rough time over the last few years. Who would have thought oil would trade down to $28USD.

Interestingly, while we have had two significant dips in log prices over the past twelve months, log prices have held up reasonably well. This is largely due to cheaper international freight rates and exchange rate gains against the USD rather than demand.



Inventory held at the Chinese ports has been lower than previous years over the Chinese New Year period. As a result the log price drops we generally see at this time have not happened. This has also helped to keep the prices up.

It is heartening to see at last a premium return to the market for pruned logs with P40 grade logs achieving $200 per JAS at some ports. The differential between the pruned price and A grade price is now high enough to make the owners of younger forests reconsider whether to prune or not to prune.

Now that we have more forests approaching harvest, it is important we have a better understanding of the markets we are selling our logs into. I have the opportunity to participate in a trip to look at the Chinese and other Asian markets, to help get a better understanding of them as well as the scale on which they operate.

This trip is planned for May.

Harvest age

In my midyear report in November I indicated that we will be commencing harvest of our forests at age 26 rather than the original forecast of age 28. We arrived at this decision after commissioning Jeff Schnell from Olsens to produce a cost benefit analysis as to the optimum time for harvest of our 1991 planted forests and his financial models shows that to be around age 26 years.

The reality is, the harvest of each individual forest will be spread over two or three years because in most cases, it is realistic to put one harvest crew in each forest. By planning harvest at an estate level, this creates economy of scale benefits which will benefit the forest owners. By smoothing the harvest volume, the partners will also derive the benefit of averaging log sale prices and tax benefits. (See separate section on tax)

Roading in the forests prior to harvest requires planning now as there is a significant economic advantage in constructing roads in the dry summer months to prepare for the clearfell operation. It is widely accepted that once the roads are formed, they require time to settle before the harvest traffic starts using them. This leads to more economical roading costs and reduced maintenance during harvest.

For forests planted in 1991/92 the proposal is to begin roading construction during summer of 2016/2017, further roading will be carried out in summer of 2017/2018 and main harvest will begin (when the forest is 26 years old), in the spring (September/October) of 2018.

Given the scale of the activity planned in the older forests we feel it is important partners are fully informed of future harvest plans for their forest. We are therefore having separate AGMs this year for Hawkes Bay forests planted in 1991/92 to outline the plans over the next few years.

Tax on Harvest Income

It is worth noting that under Sections EI1 and EJ1 of the Income Tax Act, the income from forestry may be spread for tax purposes, at the option of the taxpayer, over the income year in which the trees are harvested, and the preceding three income years – i.e. a total of four years. This can be advantageous for example where the tax on the income would otherwise result in a change of tax brackets, or where for whatever reason one of the preceding years has significantly less income.

By spreading the harvest over more than one income year, the effect is to extend this four year period – For example, if harvesting was to span three tax years, there are seven years in which the tree income can be allocated for tax purposes, which depending upon each individual's circumstances, could result in quite substantial tax savings.

Harvesting at Waikare Forest

After a slow winter, good progress has been made over the summer months with the harvest of Waikare Forest – the first of the Roger Dickie estate to be harvested. Approximately 27% of the forest is now harvested and over 63% of the roads established.

We have been harvesting our Waikare Forest in South Taranaki for 13 months and it is interesting to note that the average gross revenue per tonne is running at 19.7% ahead of the projection of 16 months ago, forecast by FMNZ based on last 12 quarter running averages. This is an excellent result considering that over that period we have gone through two significant log market price dips.

Managed Investment Scheme (MIS) Licensing

As previously advised, as administrator/manager of the forest partnerships, Roger Dickie (N.Z.) Ltd is required to obtain an MIS license by 1st December 2016. We are working on the application which is proving to be quite time consuming given the level of detail required by the Financial Markets Authority.

One of the changes we need to make is to the partnership Deeds of Participation (DOP) to ensure they are compliant with the Act. We have engaged Kensington Swan Lawyers to prepare a revised DOP. They advise that there are only minor changes required, and they expect to have the amended document completed shortly.

Once completed, the amended DOP will be circulated to the partners for adoption.

We continue to be aware of compliance costs and the need to manage these costs carefully.

Change of name of Statutory Supervisor

As advised in my mid-year report, Complectus Limited acquired the shares of our Statutory Supervisor, Foundation Corporate Trust. Complectus also owns Covenant Trustee Services Limited which is a supervisor licenced by the Financial Markets Authority.

The Boards of Foundation and Covenant have now proceeded to amalgamate both companies into one called Covenant Trustee Services Ltd. The amalgamation took effect on

March 1st this year and effectively is a name change only, as it will have no effect on our dealings with the Statutory Supervisor.

Partner IDs

Many of you will already have experienced the increased identification requirements when dealing with banks or other financial institutions. This is due to the Anti Money Laundering and Counter Financing of Terrorism Act 2009 Act.

We are now required to have formal identification, physical address and bank account details for all of our investors. A photo ID (passport or drivers licence) and a copy of a utilities bill confirming your residential address are needed to meet these requirements.

We will be working our way through all the forests and requesting this information from all investors and would ask for your cooperation in providing it to us. Unless we hold this information on file, we are unable to make distributions of harvest revenue or proceeds of the sale of partnership interests or shares.

Insurance

The insurance investment fund currently sits at $1,960,759 in total. The partnerships will each pay their insurance premiums out of their individual funds.

Secondary Market

Richard Bourne tells me he has strong interest in secondary market shares available for sale. The enquiries are from existing partners, other outside parties and strong interest from overseas buyers for partnership interests in forests approaching harvest.

Richard has had an excellent clearance of partnership interests offered for sale in the past few months so if you were considering selling, it may be a good time to discuss your options with him.

If you are interested in securing an investment in another forest partnership or farm, please contact Richard Bourne in our office or email richardb@rogerdickie.co.nz

Regards

Roger Dickie

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

18 March 2016

Silks Audit Chartered Accountants
PO Box 7144
Wanganui 4541

Roxburgh Forest
Tree crop valuation

As requested, we have assessed the fair value of the tree crop assets at Roxburgh forest owned by Roxburgh Forest Partnership. 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 29 February 2016 at:

$588,000 plus GST (if any)

The current productive net stocked area is estimated at 245.2 hectares.

This value estimate excludes the value of the land and the improvements thereon, other than the trees. 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, and any value from the costs and revenues arising from the option to join the Emissions Trading Scheme.

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 6.5%. 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 (2016) 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 2016" 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.

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 2016, 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	539
Update area	539
Advance date one year	554
Update yields	554
Update costs	582
Update log prices	582
Update discount rate	588
Tree crop value this year	**588**

Area changes, if any, are mainly the result of remapping the stocked area during the year.

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

Yield changes, if any, are the result of new measurement data collected during the past year.

The costs for tending, harvest road construction and cartage have all risen this year. Changes to tending costs will only impact on forests with tending operations remaining. The harvest-related costs of road construction and cartage 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 pruned radiata logs have increased this year, while prices for other grades have dropped slightly, or remained relatively flat.

We have reduced the discount rate applied in this valuation. Evidence from recent forest transactions suggest that purchasers are applying lower discount rates in deriving tree crop values.

Harvest revenue

Based on the assumptions adopted for the purpose of this valuation, the owner of Roxburgh forest is projected to receive a total net stumpage revenue of approximately $ 4,425,000 in year 2053.

This projected stumpage revenue is expressed in 2016 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)

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.

Roxburgh Forest Partnership

Financial Statements
for the Year Ended 29 February 2016

Contents *Page*

MARKHAMS WAVERLEY LIMITED
CHARTERED ACCOUNTANTS
WAVERLEY

Roxburgh Forest Partnership

Statement of Total Profit/Loss and Comprehensive Income
For the Year Ended 29 February 2016

	Feb 2016 $	*Feb 2015* $	*Budget* $
Forest Expenses			
Management & Supervision Fees	1,978	3,004	3,160
Operating Expenses			
Accountancy Fees	2,675	2,705	2,675
Administration	4,150	3,875	4,200
Audit Fees	1,575	1,575	1,595
Bank Fees	103	113	150
Depreciation for Period	6,403	7,324	6,403
Emission Trading Scheme	-	-	200
Legal Expenses	17	17	600
Meeting Costs	400	-	300
Statutory Supervisor	1,325	1,325	1,325
Subscriptions - Forest Health, Research, Kyoto	61	19	80
Sundry Expenses	302	256	2,000
Valuation - Forest	367	225	250
Weed & Pest Control	-	-	600
	17,379	17,435	20,378
Standing Charges			
Insurance - Public Liability	416	401	-
Insurance - Plantations	5,024	4,255	4,741
Rates	1,587	1,496	1,471
	7,027	6,153	6,212
Total Expenses	26,384	26,592	29,750
Less Expenses Recovered			
Interest Received	224	222	240
Loss for Tax Purposes	(26,160)	(26,370)	(29,510)
Plantation Revaluation Increase (Decrease)	49,000	298,000	-
Net Surplus/(Deficit)for Year	22,840	271,630	(29,510)
Comprehensive Income	-	-	-
Total Comprehensive Income	$22,840	$271,630	($29,510)

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

Roxburgh Forest Partnership

Statement of Changes in Equity
For the Year Ended 29 February 2016

	Note	Capital Accounts	Retained Earnings	2016 Total
Equity as at 1 March 2015		1,613,159	(756,740)	856,419
Total Comprehensive Income		0	22,840	22,840
Total Contributions From Partners		17,640	-	17,640
Total Transactions with Owners		17,640	-	17,640
Equity as at 29 February 2016		1,630,800	(733,900)	896,900

	Capital Accounts	Retained Earnings	2015 Total
Equity as at 1 March 2014	1,604,159	(1,028,370)	575,789
Total Comprehensive Income	0	271,630	271,630
Total Contributions From Partners	9,000	-	9,000
Total Transactions with Owners	9,000	-	9,000
Equity as at 28 February 2015	1,613,160	(756,740)	856,420

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

Roxburgh Forest Partnership

Statement of Financial Position
As at 29 February 2016

	Note	Feb 2016	Feb 2015
		$	$
Current Assets			
Calls in Arrears		27	-
Cash and Cash Equivalents	4	4,140	6,288
Goods & Services Tax		955	924
		5,122	7,212
Non Current Assets			
Plantations	5		
Plantation Value		539,000	241,000
Revaluation for Year		49,000	298,000
	6	588,000	539,000
Property, Plant and Equipment	7		
Land		257,172	257,172
Land Improvements		46,955	53,358
		304,127	310,530
Total Assets		897,249	856,742
Less Liabilities			
Current Liabilities			
Accounts Payable		349	-
Calls in Advance		-	323
		349	323
Total Net Assets		$896,899	$856,419
Represented by:			
Equity			
Capital Contributions per Schedule		1,630,800	1,613,160
Retained Earnings		(733,901)	(756,741)
		$896,899	$856,419

________________ Partner ________________ Partner

Roxburgh Forest Partnership

Cashflow Statement
For the Year Ended 29 February 2016

	Note	Feb 2016	Feb 2015
		$	$
Cash Flows from Operating Activities			
Cash was provided from:			
Interest Received		224	222
Goods & Services Tax		-	353
		224	575
Cash was applied to:			
Operating Expenses		19,632	19,268
Goods & Services Tax		30	-
		19,662	19,268
Net Cash inflow (outflow) from operating activities	8	(19,438)	(18,693)
Cash Flows from Financing Activities			
Cash was provided from:			
Calls on Participatory Securities		17,290	9,350
Net cash inflow (outflow) from financing activities	8	17,290	9,350
Net increase (decrease) in cash held		(2,148)	(9,343)
Cash at Start of Year		6,288	15,631
Cash at End of Year		$4,140	$6,288

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

Roxburgh Forest Partnership

Notes to the Financial Statements
For the Year Ended 29 February 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

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

Roxburgh Forest Partnership is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of Roxburgh Forest Partnership have been prepared in accordance with the Financial Reporting Act 1993.

Segmental Reporting

The entity operates in the forestry industry at locations in the South 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.

The information is presented in New Zealand dollars.

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 Roxburgh Forest Partnership has voluntarily entered the Emission Trading Scheme ("ETS") in relation to 243 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 13 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 Roxburgh Forest Partnership is that of Afforestation. The partnership grows douglas fir for the purpose of selling the harvest between 2047 & 2050.

Roxburgh Forest Partnership

Notes to the Financial Statements
For the Year Ended 29 February 2016

	Feb 2016	*Feb 2015*
	$	$
4. CASH AND CASH EQUIVALENTS		
B N Z Current Account	4,140	6,288
	$4,140	$6,288

The B N Z Bank holds a registered first mortgage over the property.

5. **PLANTATION DETAILS**

The plantation is comprised of Douglas Fir trees planted in the Central Otago District. The Net Stocked Area of approximately 243 hectares was planted in 2003 (222ha) and 2006 (21ha).

6. **PLANTATION REVALUATIONS**

Valuer
The plantation was valued as at 29 February 2016 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.

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 douglas fir 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 log prices used in the valuation have been derived from prices paid at the Dunedin port over the past three years. An exception to this is the domestic pulp price, which has been derived from the three-year average price (averaged to December 2015) as reported by MPI. They range from $54 to $154 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 exclusive of GST.

i Tending costs vary with the age of the trees.

ii Annual costs for insurance, forest management, etc have been assumed at $120.30 per hectare per year.

iii Clearfell harvest costs are based on current average contract costs.

iv A logging and loading cost of $28.30/m3 has been assumed for ground based logging, and $38/m3 assumed for hauler logging. These are based on current operations in the Otago region.

v A road and skid formation cost ranges from $2,415 up to $3,250 per hectare with a average of $2,830 per hectare. In addition, a maintenance cost of $1.60 per m3 has been assessed to cover road maintenance during the harvest operations.

vi Harvest management costs are set at $5.30/m3 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.

A significant increase in costs would decrease 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 7.0% 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.

7. **PROPERTY, PLANT AND EQUIPMENT**

	Opening Value	Additions/ Deletions	Closing Value
Land and Improvements - 2015 Year			
Cost - March 2003	372,212	-	372,212
Accumulated Depreciation	(54,358)	(7,324)	(61,682)
Net Book Value	317,854	(7,324)	310,530
Land and Improvements - 2016 Year			
Cost - March 2003	372,212	-	372,212
Accumulated Depreciation	(61,682)	(6,403)	(68,085)
Net Book Value	310,530	(6,403)	304,127

The latest capital value set by Quotable Value for rating purposes in September 2013 was $497,000

Roxburgh Forest Partnership

Notes to the Financial Statements
For the Year Ended 29 February 2016

		Feb 2016	Feb 2015
		$	$
8.	**CASH FLOW RECONCILIATION**		
	Reconciliation of Cash Flows from Operating Activities.		
	Reported Surplus for Year	22,840	271,630
	Non Cash Item - Depreciation	6,403	7,324
	Non Cash Item - Forest Revaluation	(49,000)	(298,000)
		(19,757)	(19,046)
	Movements in Working Capital:		
	(Increase)/Decrease in Accounts Receivable	-	-
	Increase/(Decrease) in Accounts Payable	349	-
	(Increase)/Decrease in GST	(30)	353
		319	353
	Net Cash Flow from Operating Activities	($19,438)	($18,693)
	Reconciliation of Cash Flows from Financing Activities		
	Calls on Participatory Securities	17,640	9,000
	(Increase)/Decrease in Calls in Arrears	(27)	27
	Increase/(Decrease) in Calls in Advance	(323)	323
	Net Cash Flow from Financing Activities	$17,290	$9,350

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

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.

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 100% equity finance from the partners.

Roxburgh Forest Partnership

Notes to the Financial Statements
For the Year Ended 29 February 2016

10. **EVENTS AFTER BALANCE DATE**

There have been no significant events after balance date.

11. **EMISSIONS TRADING SCHEME**

Roxburgh Forest Trustee Limited has replaced Corporate Trust Limited as trustee holding the Partnership land as registered proprietor in trust for the Partnership. Roxburgh Forest Trustee Limited holds 6,654 NZUs (2015 - 6,654) on the New Zealand Emission Unit Register on behalf of the partners. 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 29 February 2016 is $63,213 (2015 - 39,259)

During the year, 0 NZU's were sold.

12. **CAPITAL COMMITMENTS & CONTINGENT LIABILITIES**

At balance date, and also the previous balance date, there were no known capital commitments or contingent liabilities.

13. **RELATED PARTIES**

The partnership paid administration fees of $4,150 and management fees and forest expenses of $2,275 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 $349 (2015 - $0). No related party debts have been written off or forgiven during the year.

14. **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

Roxburgh 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.

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 2016.

15. **PARTNERSHIP STRUCTURE**

Partners have subscribed for Participatory Securities in the Partnership. The number of Participatory Securities 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 Participatory Securities 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 31 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.

16. **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.

Roxburgh Forest Partnership

IRD No 085-999-338

Statement of Changes in Equity

For the Year Ended 29 February 2016

	EQUITY ACCOUNTS					TAX RETURN
	Balance 2015	Calls for Year	Sales Entries	Profit or Loss	Balance 2016	Share of Tax Loss
Allardice Investments Limited	17,149	188	-	-	17,336	267
Ames, P and Congalton, J	16,804	184	-	-	16,988	262
Argosy Forests Limited	19,044	208	-	-	19,253	296
Aton, J	16,714	183	-	-	16,897	260
Lambie, B and Doig, A as Trustees	50,411	551	-	-	50,963	785
Blemph Properties Limited	16,804	184	-	-	16,988	262
BPC Forestry Pty Limited	33,608	368	-	-	33,975	523
Cailliau, R	16,804	184	-	-	16,988	262
Coffin, M F	67,215	735	-	-	67,950	1,046
Cole, D & K	16,804	184	-	-	16,988	262
Crozier Forestry Limited	33,608	368	-	-	33,975	523
Dave Goult Trees Limited	33,608	368	-	-	33,975	523
Dovedale Forest Limited	16,804	184	-	-	16,988	262
Fallow Forestry Limited	51,437	562	-	-	52,000	801
Fulton Forest Limited	16,804	184	-	-	16,988	262
Gaur, P C	19,044	208	-	-	19,253	296
Glynn, K M	20,285	222	-	-	20,507	316
Harrison Family Forest Limited	67,215	735	-	-	67,950	1,046
Hicks, B & E	21,285	233	-	-	21,518	331
Hunt, D & S as Trustees	17,839	195	-	-	18,034	278
In Great Company Limited	16,804	184	-	-	16,988	262
J & M Trees Limited	34,289	375	-	-	34,664	534
McCafferty, J & O as Trustees	67,215	735	-	-	67,950	1,046
Jufich Investments Limited	33,608	368	-	-	33,975	523
Knight Forest Limited	67,215	735	-	-	67,950	1,046
Laupen Investments Limited	16,804	184	-	-	16,988	262
Longstaff Enterprises Limited	33,608	368	-	-	33,975	523
Marovani Forest Limited	100,823	1,103	-	-	101,925	1,570
Mckenna, L J	17,149	188	-	-	17,336	267
Meyer, M	16,804	184	-	-	16,988	262
Mills, G N	17,149	188	-	-	17,336	267
Moodie, T	16,804	184	-	-	16,988	262
Moonwalkers Limited	16,804	184	-	-	16,988	262
North South Forests Limited	17,476	191	-	-	17,667	272
Omundsen, T as authorised agent	16,804	184	-	-	16,988	262
Omundsen, T as authorised agent	16,804	184	-	-	16,988	262
Paddison, A & S	50,411	551	-	-	50,963	785
Robinson, R as Trustee	33,608	368	-	-	33,975	523
Shaukat, R & F & S & S	67,215	735	-	-	67,950	1,046
Sligo, F X	16,804	184	-	-	16,988	262
Miller, N as Trustee	33,608	368	-	-	33,975	523
Thow Forestry Investments Limited	67,215	735	-	-	67,950	1,046
Makora Forest Investments Limited	16,804	184	-	-	16,988	262
Tui Grange Limited	33,608	368	-	-	33,975	523
White, J P G	16,804	184	-	-	16,988	262
Whittaker, M & C and O'Donnell, G as Trustees	16,804	184	-	-	16,988	262
Whittle, C	16,804	184	-	-	16,988	262
Wilkins, P D	16,804	184	-	-	16,988	262
William Martin Family Ltd Partnership	84,019	919	-	-	84,938	1,308
Zimmerman - Roxburgh LLC	33,608	368	-	-	33,975	523
Zoll, L G & Z M	33,608	368	-	-	33,975	523
Roger Dickie No 31 Limited - see Note 15	-	-	-	-	-	1,046
	1,613,160	17,640	-	-	1,630,800	26,160
Retained Earnings	(756,741)	-	-	22,840	(733,901)	
Total Equity	856,419	17,640	-	22,840	896,899	

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