Forest Partnership Report

31 March 2017

Hello,

The forestry sector is currently experiencing a period of strong returns fuelled by a combination of steady Chinese demand, low shipping costs, a local market building boom and a supportive NZD/USD relative to in-price markets. The Chinese demand is fuelled by a number of factors including a massive reduction in the harvest of their own domestic forests brought about by Chinese Government demands.

The ANZ reported in their forestry sector update that many of these trends look like they could extend for a number of years, supporting the demand for forestry products and returns. This is great feedback for our forestry estate and for the forestry sector generally looking forward.

We have been harvesting our first forest, Waikare for the past two years. Despite the high roading and cartage costs one of our corporate investors has calculated the compound annual return to date to be around 12%.

We've had a very busy year, harvest preparation is beginning for seven of the forests this year, along with this we've transitioned your partnership schemes to operate under the new Financial Market regulations - I am very worried about where all this is heading in regard to additional external compliance costs for our partnerships, we continue to work very hard to drive efficiencies across all aspects of the business ensuring the greatest return to our investors - more about this later.

Your Forest

Steve Bell visited Roxburgh in March with the local forest manager - see the FMNZ report for an update about the visit. Richard Bourne also went with a number of partners later in March. They were pleased to see the progress the forest was making.

Valuations

Our consultants PF Olsen have recently forwarded us the annual valuations of our forests. The valuation takes into account present day costs and 12 quarter (three years) average log prices. An update of costs has reduced values but the increase in volume and the increase in 12 quarter log prices have had a net effect of increasing the values of the total estate by 12.5%. This figure is the average across the estate and will vary from forest to forest.

You are reminded that these valuations are not full valuations and are carried out as a desk top exercise to satisfy international financial reporting standards requirements. Olsens do briefly visit one third of the forest annually when compiling this report.

Insurance

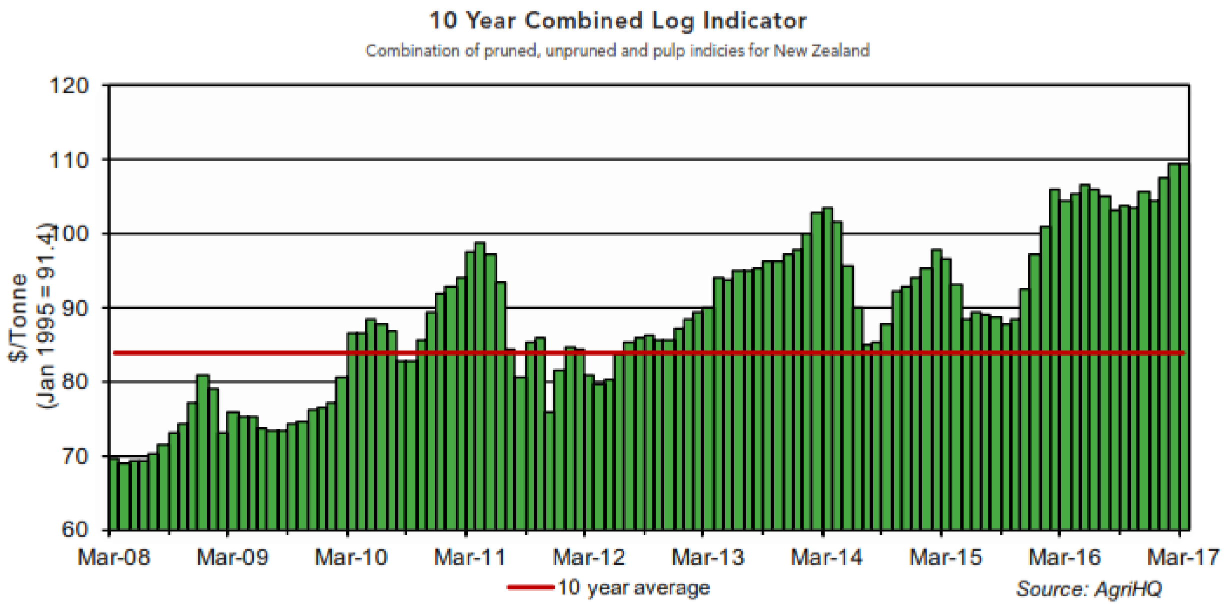
We have had preliminary discussions with our insurance brokers. You may be aware our budgeted insurance premiums for the 2016/17 year were almost 30% less than the subsequent premium we were charged (this was renewed as always in September). The reason for this was a considerable firming in the insurance market. The brokers have told us they are hopeful the premium rate will not increase this coming year; Let's hope that is correct.

Log Markets

The New Zealand log harvest increased by 7.6% from 2015 to 2016, reaching 31 million cubic metres in the year ending December 2016. Despite this increase in harvested volume buoyant New Zealand activity (record high immigration, low interest rates) has put pressure on the New Zealand housing market. The booming horticulture industry is also pushing demand for roundwood (poles). This has helped keep log prices high - Agri HQ reports that structural log prices are the highest ($122) they have been since 1994. This demand looks set to remain steady and strong.

In the export market PF Olsen's Wood Matters reported the inventory at China ports rose sharply from the reported 2.2 million m3 in December 2016 to a current estimated 3.5-4.0 million m3. This is a result of the Chinese New Year and is not a major concern as factories across China closed down late January. While market observers are keeping a watching brief on this increase in inventory, they do not hold major concerns for the state of the market. Whilst there has been an absence of market information over this holiday time in China several factors should assist with reducing this inventory.

Overall market growth is still reported at 12% year on year which is a great sign. A majority of the logs that China purchases are used to manufacture low value high volume products that aid in the construction of concrete dwellings. This might be starting to change, there are increasing signs of China using wood in actual construction applications. This would open enormous new potential and higher value markets for our Radiata pine.



Compliance

You are all aware that we have transitioned your partnership schemes to operate under the new Financial Markets Conduct Act.

You will note in your budget the value of $2,000 for compliance, these are costs associated with meeting FMA requirements. As well, the Statutory Supervisor have increased their annual fee from $1,250 to $1,500. As mentioned previously, as part of this transition we have had to change all the assets of the partnership to be held in the name of the supervisor. Your forest partnership land now has an encumbrance registered on the title in favour of the supervisor. This is to ensure that we as the manger do not go and sell the land out from under the partners without your approval - something that was never going to happen, but hypothetically could I suppose.

Another compliance requirement that has been forced upon us, is he bank account is controlled by the supervisor and is set with a maximum transaction limit of $1,000 per day except for 20th and 21st of the month when the limit is $25,000. This requirement exists even though partners approve the annual budget in advance, and the accounts are independently audited. This requirement is in my mind a stupid impediment that just adds cost to running the business with (in our opinion) no benefit to investors.

There are other layers of compliance and reporting that we are required to carry out, such as quarterly reporting to the supervisor.

New Forest Planting

The high returns from forests being harvested has resulted in a significant upturn in interest from both local and overseas investors.

New Zealand's growing reputation as a good place to do business is encouraging investment in the forest sector. The refugee crisis overseas, our positive economic growth, our stance on climate change, our very high ratings in regard to no corruption and ease of doing business are all factors in our favour. The fact that we have no enemies, are isolated, have no strategic resources on a world scale and that we welcome overseas investment are also factors driving investment in forestry.

We have recently acquired a large mid rotation forest in the Wairarapa and this winter will be planting 350 hectares of Greenfields forestry in the Hawkes Bay region. We anticipate planting more than 1,200 hectares next year. We see this trend continuing for the foreseeable future.

Anti Money Laundering

The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and its regulations place certain obligations on organisations like ours. In order to comply we must carry out initial and ongoing customer due diligence (CDD) on all of our customers. This is a non negotiable requirement, and we appreciate your help with this matter when the questions are asked of you. I remind you that you cannot receive payments for your harvest proceeds unless you satisfy your AML requirements.

Secondary Market

2016 was a busy year for secondary sales. The yield reduction in some commercial properties, along with the great run of log prices and hype in the forestry sector have helped fuel this demand. As always, we have buyers looking to increase their forestry holdings, please contact the office if you would be interested in increasing your partnership interests.

Conference

We are holding another conference for partners at the Napier Conference Centre, 48 Marine Parade on Saturday October 28th. The conference will be of particular interest for those partners whose forests are approaching harvest in the next few years.

We have negotiated a special accommodation rate for attendees of $184 (down from the usual rate of $275 at that time of year) at the Te Pania Hotel, directly over the road from the centre. For those wanting to make early bookings just advise the hotel you will be attending the Roger Dickie NZ Conference. Full details including a booking form will be sent to you next month.

Eastbourne Dairy Farm

Eastbourne dairy farm has been able to ride out the two previous years of very low payouts at breakeven point. The farm is performing exceptionally well with production already performing to the highest level. It is forecasting to pay a 5% dividend this year. There are still a small number of shares left in Eastbourne and our other farms - please contact Richard if you would like any information on these exceptional dairy opportunities.

Regards

Roger Dickie

Forest Management NEW ZEALAND LTD

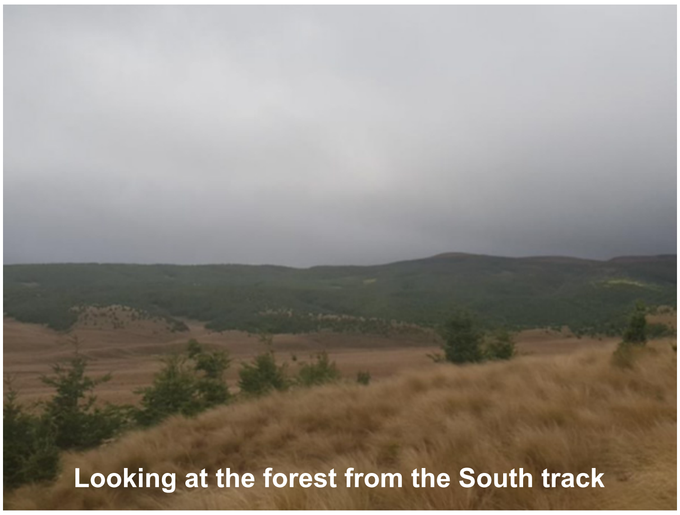
March 2017

Roxburgh Forest

Forest Managers Report

It is good to be able to give you a first hand report on the progress of Roxburgh Forest as it has been a number of years since I last visited the property.

It was a pleasant surprise to see the progress the forest has made. Tree health is generally excellent with foliage a bright, healthy green.



Looking at the forest from the South track

The more sheltered parts of the forest are showing the strongest growth with the trees being around six to seven metres high. This means they are making approximately half a metre of growth per annum. As the photos show, in the more exposed areas the growth rates are significantly less however, these trees are still growing and in some areas are starting to benefit from increasing shelter from the taller trees. In many areas the forest is starting to close in which is good to see.

Eastern boundary on ridge looking north west towards Onslow

We have been making allowance in the budget each year to carry out some gorse spraying as the Otago Regional Council have a zero tolerance to gorse and broom. The funds have not been spent as there has been little evidence of these weeds in the forest however, the gorse is now starting to spread towards the forest from the Onslow boundary. If this is left unchecked, in the future this is going to create problems for Roxburgh. We will make contact with the neighbours to discuss and see if we can get them to voluntarily deal to the problem before it gets out of control. We have retained an allowance in the budget to carry out some gorse control if necessary.

The tracks are all in a surprisingly good condition considering the lack of maintenance they have had over the past years. The main track from the bottom gate and between Roxburgh and Onslow has a bit of scouring in places but remains easily accessible. We are fortunate the significant amount of natural rock scattered through the tracks provides such a firm base.

Sheltered area off the middle tracks

The boundary fences remain in reasonable order. There were several merinos in the forest and they may well put pressure on the fences as they push back to the neighbouring property. The winter snow can often damage the fences however, at this stage they all appear to be in reasonable order.

There is still plenty of deer and pig sign in the property however, the anti poacher initiatives seem to be working as there are no longer reports of unauthorised access. Shaun and the neighbours have done a good job by working together to sort this out.

Given the current growth rates, the present carbon strategy we are using is appropriate for this forest.

If you recall, we registered under one hundred hectares of the strongest growth areas in the Emissions Trading Scheme. This means we do not need to put in field measurement plots (fma) and are able to claim carbon from the default look up tables.

It was pleasing to see the positive progress Roxburgh is making and was well worth the visit.

Steve Bell
Forest Manager


The younger trees at the top north of the property

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24 March 2017

Silks Audit Chartered Accountants
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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 28 February 2017 at:

$494, 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 (2017) 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 2017" 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 2017, 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	588
Update area	588
Advance date one year	604
Update yields	604
Update costs	494
Update log prices	494
Update discount rate	494
Tree crop value this year	**494**

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 insurance, logging, harvest road construction and cartage have all risen this year. The harvest-related costs of logging, 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 all radiata sawlogs have increased this year, while prices for pulp grades have remained relatively flat.

The discount rate applied in this valuation is unchanged from last year. Evidence from recent forest transactions suggest that purchasers are continuing to apply similar 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 $ 4,225,000 in year 2053.

This projected stumpage revenue is expressed in 2017 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 28 February 2017

Contents *Page*

MARKHAMS WAVERLEY LIMITED
CHARTERED ACCOUNTANTS
WAVERLEY

Roxburgh Forest Partnership

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

	Feb 2017 $	*Feb 2016* $	*Budget* $
Operating Revenue			
Interest Received	62	224	720
Forest Expenses			
Management & Supervision Fees	2,419	1,978	3,180
Operating Expenses			
Accountancy Fees	2,695	2,675	2,695
Administration	4,320	4,150	4,320
Audit Fees	1,575	1,575	1,575
Bank Fees	113	103	90
Depreciation for Period	5,604	6,403	5,604
Emission Trading Scheme	23	-	300
Legal Expenses	48	17	600
Meeting Costs	392	400	300
Repairs & Maintenance - Fences	1,040	-	-
Statutory Supervisor	1,092	1,325	1,250
Subscriptions - Forest Health, Research, Kyoto	9	61	90
Sundry Expenses	302	302	2,000
Valuation - Forest	375	367	290
Weed & Pest Control	-	-	600
	17,588	17,379	19,714
Standing Charges			
Insurance - Public Liability	416	416	401
Insurance - Plantations	6,804	5,024	5,125
Rates	1,482	1,587	1,396
	8,702	7,027	6,922
Total Expenses	28,709	26,384	29,816
Loss for Tax Purposes	(28,647)	(26,160)	(29,096)
Plantation Revaluation Increase (Decrease)	(94,000)	49,000	-
Net Surplus/(Deficit) for Year	(122,647)	22,840	(29,096)
Comprehensive Income	-	-	-
Total Comprehensive Income	($122,647)	$22,840	($29,096)

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

Roxburgh Forest Partnership

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

	Note	Capital Accounts	Retained Earnings	2017 Total
Equity as at 1 March 2016		1,630,799	(733,900)	896,899
Total Comprehensive Income		0	(122,647)	(122,647)
Total Contributions From Partners		20,160	-	20,160
Total Transactions with Owners		20,160	-	20,160
Equity as at 28 February 2017		1,650,960	(856,547)	794,413

	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

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

Roxburgh Forest Partnership

Statement of Financial Position
As at 28 February 2017

	Note	Feb 2017	Feb 2016
		$	$
Current Assets			
Calls in Arrears		27	27
Cash and Cash Equivalents	4	3,105	4,140
Goods & Services Tax		1,102	955
		4,234	5,122
Non Current Assets			
Plantations	5		
Plantation Value		588,000	539,000
Revaluation for Year		(94,000)	49,000
	6	494,000	588,000
Property, Plant and Equipment	7		
Land		257,172	257,172
Land Improvements		41,351	46,955
		298,523	304,127
Total Assets		796,757	897,249
Less Liabilities			
Current Liabilities			
Accounts Payable		1,218	349
Calls in Advance		1,126	-
		2,344	349
Total Net Assets		$794,412	$896,899
Represented by:			
Equity			
Capital Contributions per Schedule		1,650,960	1,630,800
Retained Earnings		(856,548)	(733,901)
		$794,412	$896,899

_______________ Partner _______________ Partner

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

Roxburgh Forest Partnership

Cashflow Statement
For the Year Ended 28 February 2017

	Note	Feb 2017	Feb 2016
		$	$
Cash Flows from Operating Activities			
Cash was provided from:			
Interest Received		62	224
		62	224
Cash was applied to:			
Operating Expenses		22,236	19,632
Goods & Services Tax		147	30
		22,384	19,662
Net Cash inflow (outflow) from operating activities	8	(22,321)	(19,438)
Cash Flows from Financing Activities			
Cash was provided from:			
Calls on Participatory Securities		21,286	17,290
Net cash inflow (outflow) from financing activities	8	21,286	17,290
Net increase (decrease) in cash held		(1,035)	(2,148)
Cash at Start of Year		4,140	6,288
Cash at End of Year		$3,105	$4,140

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

Roxburgh Forest Partnership

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

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.

The financial statements of Roxburgh Forest Partnership have been prepared in accordance with the Financial Reporting Act 2013. The partnership is applying Tier 1 reporting standards.

These financial statements were authorised for issue by the partners on the 23 April 2017.

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.

New Zealand dollars are Roxburgh 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 Financial Performance.

iii Roxburgh Forest Partnership has voluntarily entered the Emission Trading Scheme ("ETS") in relation to 245 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 28 February 2017

	Feb 2017 $	Feb 2016 $
4. CASH AND CASH EQUIVALENTS		
B N Z Current Account	3,105	4,140
	$3,105	$4,140

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 245 hectares was planted in 2003 (224ha) and 2006 (21ha). The forest is a consumable immature biological asset.

6. PLANTATION REVALUATIONS

Valuer
The plantation was valued as at 28 February 2017 by Jeff Schnell, Registered Forestry Consultant (NZIF), of PF Olsen Limited, forest consultants and managers. The estimated fair value of the plantation is categorised within Level 3 of the fair value hierarchy.

Valuation 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 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.

Roxburgh Forest Partnership

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

Log Prices

The radiata pine log prices used in the valuation have been derived from prices paid at the Gisborne and Napier ports over the past three years. An exception to this is the radiata domestic pulp price, which has been derived from the three-year average price (averaged to February 2017) as reported by MPI. They range from $54 to $166 per m3 depending on grade. Log prices for other species are taken from recent industry publications and other sources. A significant increase in this input would increase the fair value of the plantation.

Projected Costs

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

i Tending costs vary with the age of the trees and depending on the rate of growth. The projected age of the pre-harvest inventory is two years prior to clearfell at this point the harvest plan can be prepared which forms the basis of specific costings for the harvest. Prior to the pre-harvest inventory and harvest plan being prepared tending costs used in the valuation represents an average across all crop costs and may differ when a pre-harvest inventory and harvest plan is completed.

ii Annual costs for insurance, forest management and other costs have been expressed in dollars per hectare over the whole estate. Costs may vary from forest to forest depending upon a number of forest related management factors.

iii Clearfell harvest costs are defined as all costs from stump to price point defined as at wharf or mill gate. They include costs for logging and loading, road and skid formation, harvest management and cartage. Costs are based on current average contract costs. Some of these costs vary depending on the size and volume per hectare harvested.

iv Logging and loading costs are based on harvest operations in the North Island over the past year. These costs vary widely depending upon location of forest, terrain, and existing roading access. An average logging and loading cost is calculated for each crop type based on the proportion of area by terrain class. The estimate of the proportion of the area in each terrain class has been made by PF Olsen staff during the site visit carried out at the feasibility stage.

v Road and skid formation costs have been re-assessed this year using a consistent basis across all forests. PF Olsen carried out detailed assessment of road formation costs for a representative sample of four forests. This assessment used topographic maps, together with information collected during the field inspections. The modelling uses an average per hectare cost however the actual costs could differ when a pre-harvest inventory and harvest plan is carried out.

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

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

Discount Rate
The discount rate used in the estimate of the tree crop market value is important. The value estimate of young immature forests in particular is very sensitive to the choice of discount rate. The discount rate used represents a real rate of return, which is over and above inflation. Rates quoted by financial institutions are generally nominal rates, which include inflation. The discount rate selected of 6.5% 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 - 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
Land and Improvements - 2017 Year			
Cost - March 2003	372,212	-	372,212
Accumulated Depreciation	(68,085)	(5,604)	(73,689)
Net Book Value	304,127	(5,604)	298,523

The latest capital value set by Quotable Value for rating purposes in September 2016 was $598,000

Roxburgh Forest Partnership

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

	Feb 2017	Feb 2016
	$	$
8. CASH FLOW RECONCILIATION		
Reconciliation of Cash Flows from Operating Activities.		
Reported Surplus for Year	(122,647)	22,840
Non Cash Item - Depreciation	5,604	6,403
Non Cash Item - Forest Revaluation	94,000	(49,000)
	(23,043)	(19,757)
Movements in Working Capital:		
(Increase)/Decrease in Accounts Receivable	-	-
Increase/(Decrease) in Accounts Payable	869	349
(Increase)/Decrease in GST	(147)	(30)
	721	319
Net Cash Flow from Operating Activities	($22,321)	($19,438)
Reconciliation of Cash Flows from Financing Activities		
Calls on Participatory Securities	20,160	17,640
(Increase)/Decrease in Calls in Arrears	-	(27)
Increase/(Decrease) in Calls in Advance	1,126	(323)
Net Cash Flow from Financing Activities	$21,286	$17,290

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 28 February 2017

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 (2016 - 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 28 February 2017 is $63,213 (2015 - 39,259)
During the year, 0 NZU's were sold.

	Feb 2017 No.	*Feb 2016* No.
Opening Units Held	6,654	6,654
Emissions Trading Units Sold	-	-
Emissions Trading Units Surrendered	-	-
Emissions Trading Units Allocation	-	-
Closing Units Held	6,654	6,654

12. CAPITAL COMMITMENTS & OPERATING LEASES

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

13. CONTINGENT ASSETS & CONTINGENT LIABILITIES

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

14. RELATED PARTIES

The partnership paid administration fees of $4,320 (2016 - $4,150) and management fees and forest expenses of $4,005 (2016 - $1,978) 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 $1,218 (2016 - $349). 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

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 2017.

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 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.

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.

Roxburgh Forest Partnership

IRD No 085-999-338

Statement of Changes in Equity

For the Year Ended 28 February 2017

	EQUITY ACCOUNTS					TAX RETURN
	Balance 2016	Calls for Year	Sales Entries	Profit or Loss	Balance 2017	Share of Tax Loss
Allardice Investments Limited	17,336	214	-	-	17,551	292
Ames, P and Congalton, J	16,988	210	-	-	17,198	286
Argosy Forests Limited	19,253	238	-	-	19,491	325
Aton, J	16,897	209	-	-	17,106	285
Lambie, B and Doig, A as Trustees	50,963	630	-	-	51,593	859
Blemph Properties Limited	16,988	210	-	-	17,198	286
BPC Forestry Pty Limited	33,975	420	-	-	34,395	573
Cailliau, R	16,988	210	-	-	17,198	286
Coffin, M F	67,950	840	-	-	68,790	1,146
Cole, D & K	16,988	210	-	-	17,198	286
Crozier Forestry Limited	33,975	420	-	-	34,395	573
Dave Goult Trees Limited	33,975	420	-	-	34,395	573
Dovedale Forest Limited	16,988	210	-	-	17,198	286
Fallow Forestry Limited	52,000	643	-	-	52,643	877
Fulton Forest Limited	16,988	210	-	-	17,198	286
Gaur, P C	19,253	238	-	-	19,491	325
Glynn, K M	20,507	254	-	-	20,761	346
Harrison Family Forest Limited	67,950	840	-	-	68,790	1,146
Hicks, B & E	21,518	266	-	-	21,784	363
Hunt, D & S as Trustees	18,034	223	-	-	18,257	304
In Great Company Limited	16,988	210	-	-	17,198	286
J & M Trees Limited	34,664	429	-	-	35,092	585
McCafferty, J & O as Trustees	67,950	840	-	-	68,790	1,146
Jufich Investments Limited	33,975	420	-	-	34,395	573
Knight Forest Limited	67,950	840	-	-	68,790	1,146
Laupen Investments Limited	16,988	210	-	-	17,198	286
Longstaff Enterprises Limited	33,975	420	-	-	34,395	573
Marovani Forest Limited	101,925	1,260	-	-	103,185	1,719
Mckenna, L J	17,336	214	-	-	17,551	292
Meyer, M	16,988	210	-	-	17,198	286
Mills, G N	17,336	214	-	-	17,551	292
Moodie, T	16,988	210	-	-	17,198	286
Moonwalkers Limited	16,988	210	-	-	17,198	286
North South Forests Limited	17,667	218	-	-	17,885	298
Omundsen, T as authorised agent	16,988	210	-	-	17,198	286
Omundsen, T as authorised agent	16,988	210	-	-	17,198	286
Paddison, A & S	50,963	630	-	-	51,593	859
Robinson, R as Trustee	33,975	420	-	-	34,395	573
Shaukat, R & F & S & S	67,950	840	-	-	68,790	1,146
Sligo, F X	16,988	210	-	-	17,198	286
Miller, N as Trustee	33,975	420	-	-	34,395	573
Thow Forestry Investments Limited	67,950	840	-	-	68,790	1,146
Makora Forest Investments Limited	16,988	210	-	-	17,198	286
Tui Grange Limited	33,975	420	-	-	34,395	573
White, J P G	16,988	210	-	-	17,198	286
Whittaker, M & C and O'Donnell, G as Trustees	16,988	210	-	-	17,198	286
Whittle, C	16,988	210	-	-	17,198	286
Wilkins, P D	16,988	210	-	-	17,198	286
William Martin Family Ltd Partnership	84,938	1,050	-	-	85,988	1,432
Zimmerman - Roxburgh LLC	33,975	420	-	-	34,395	573
Zoll, L G & Z M	33,975	420	-	-	34,395	573
Roger Dickie No 31 Limited - see Note 15	-	-	-	-	-	1,146
	1,630,800	20,160	-	-	1,650,960	28,647
Retained Earnings	(733,901)	-	-	(122,647)	(856,548)	
Total Equity	896,899	20,160	-	(122,647)	794,412	

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