Saddleback Forest Partnership

Financial Statements
for the Year Ended 29 February 2020

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MARKHAMS WAVERLEY LIMITED
CHARTERED ACCOUNTANTS
WAVERLEY

SILKS AUDIT SA CHARTERED ACCOUNTANTS LTD

Saddleback Forest Partnership

Statement of Total Profit/Loss & Other Comprehensive Income
For the Year Ended 29 February 2020

	Feb 2020	*Feb 2019*	*Budget 2020*
	$	$	$
HARVESTING ACCOUNT			
Harvesting Revenue			
Log Proceeds	1,597,043	417,917	1,839,533
Less Cost of Sales			
Harvesting Costs	469,140	121,076	120,150
Cartage	164,625	43,101	27,000
Forest Grower Levy	3,104	799	-
Management Fee	63,882	16,717	14,040
Environmental Standards Expense	4,715	4,800	-
Roading Costs	391,748	0	189,810
Weighbridge	3,685	1,125	-
	1,100,898	187,618	351,000
Gross Profit from Harvesting	496,145	230,299	1,488,533
Other Operating Revenue			
Interest Received	4,322	5,669	339
	4,322	5,669	339
Net Operating Revenue for Period	$500,467	$235,968	$1,488,872

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

SILKS AUDIT SA CHARTERED ACCOUNTANTS LTD

Saddleback Forest Partnership

Statement of Total Profit/Loss & Other Comprehensive Income
For the Year Ended 29 February 2020

	Feb 2020	*Feb 2019*	*Budget 2020*
	$	$	$
Net Operating Revenue for Period	500,467	235,968	1,488,872
Forest Expenses			
Planting & Blanking - Trees	-	-	7,500
Fire Control	300	300	300
Management & Supervision Fees	6,368	6,508	10,420
	6,668	6,808	18,220
Operating Expenses			
Accountancy Fees	3,665	2,790	3,665
Administration	4,680	5,026	7,205
Audit Fees	2,195	1,575	2,705
Bank Fees	76	82	150
Compliance	950	876	636
Depreciation for Period	98,424	4,560	98,424
Emission Trading Scheme	48	-	-
Legal Expenses	314	55	600
Meeting Costs	880	1,083	1,000
Repairs & Maintenance - Tracks & Dams	372	-	-
Statutory Supervisor	1,500	1,500	1,500
Subscriptions - Forest Health, Research, Kyoto	709	816	598
Sundry Expenses	308	305	2,305
Valuation - Forest	668	159	725
Weed & Pest Control	1,331	1,316	5,300
	116,121	20,144	124,813
Standing Charges			
Insurance - Public Liability	1,000	805	885
Insurance - Plantations	35,555	27,900	30,690
Rates	2,810	2,680	2,743
	39,365	31,384	34,318
Total Expenses	162,153	58,337	177,351
Net Operating Surplus for Period	338,313	177,631	1,311,521
Fair Value Movement -			
Plantation Revaluation Increase (Decrease)	(1,237,000)	1,377,000	-
Liability-free NZU Value Increase (Decrease)	27,904	552,075	-
Net Surplus/(Deficit) for Year	(870,783)	2,106,706	1,311,521
Other Comprehensive Income	-	-	-
Total Comprehensive Income	($870,783)	$2,106,706	$1,311,521

SILKS AUDIT LTD CHARTERED ACCOUNTANTS

Saddleback Forest Partnership

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

	Note	*Capital Accounts*	*Retained Earnings*	*2020 Total*
Equity as at 1 March 2019		2,076,342	9,269,419	11,345,761
Total Comprehensive Income		338,313	(1,209,096)	(870,783)
Total Distributions To Partners		(1,046)	-	(1,046)
Equity as at 29 February 2020		2,413,609	8,060,323	10,473,932

	Capital Accounts	*Retained Earnings*	*2019 Total*
Equity as at 1 March 2018	2,044,616	7,340,344	9,384,960
Total Comprehensive Income	177,631	1,929,075	2,106,706
Total Distributions To Partners	(145,906)	-	(145,906)
Equity as at 28 February 2019	2,076,341	9,269,419	11,345,760

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

SILKS AUDIT LTD CHARTERED ACCOUNTANTS

Saddleback Forest Partnership

Statement of Financial Position
As at 29 February 2020

	Note	*Feb 2020* $	*Feb 2019* $
Current Assets			
Accounts Receivable		-	471,380
Cash and Cash Equivalents	4	338,654	269,869
Goods & Services Tax		31,659	12,982
NZ ETS Units		585,979	558,075
		956,292	1,312,306
Non Current Assets			
Plantations			
Plantation Value		10,115,000	8,738,000
Revaluation for Year	6	(1,237,000)	1,377,000
		8,878,000	10,115,000
Property, Plant and Equipment	7		
Land		178,002	178,002
Land Improvements		468,279	268,633
		646,281	446,635
Total Assets		10,480,573	11,873,941
Less Liabilities			
Current Liabilities			
Accounts Payable		6,641	528,180
Total Net Assets		$10,473,932	$11,345,761
Represented by:			
Equity			
Capital Contributions per Schedule		2,413,609	2,076,341
Retained Earnings		8,060,323	9,269,419
		$10,473,932	$11,345,761

Roger Dickie

William Dickie

14 August 2020 Date

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

SILKS AUDIT SA LTD CHARTERED ACCOUNTANTS

Saddleback Forest Partnership

Cashflow Statement
For the Year Ended 29 February 2020

	Note	Feb 2020	Feb 2019
		$	$
Cash Flows from Operating Activities			
Cash was provided from:			
Interest Received		4,322	5,669
Operating Income		2,006,939	8,020
Carbon Credit Sales		-	30,914
Goods & Services Tax		-	799
		2,011,261	45,403
Cash was applied to:			
Operating Expenses		1,344,965	60,183
Goods & Services Tax		25,320	-
		1,370,284	60,183
Net Cash inflow (outflow) from operating activities	8	640,977	(14,779)
Cash Flows from Investing Activities			
Cash was applied to:			
Purchase of Property, Plant and Equipment		571,146	-
Net cash inflow (outflow) from investing activities		(571,146)	-
Cash Flows from Financing Activities			
Cash was provided from:			
Payouts to Partners		(1,046)	(140,140)
Net cash inflow (outflow) from financing activities		(1,046)	(140,140)
Net increase (decrease) in cash held		68,785	(154,919)
Cash at Start of Year		269,869	424,788
Cash at End of Year		$338,654	$269,869

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

SILKS AUDIT SA CHARTERED ACCOUNTANTS LTD

Saddleback Forest Partnership

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The financial statements of Saddleback Forest Partnership are for a scheme registered under the Financial Markets Conduct Act 2013, and that these financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013. The partnership is applying Tier 1 reporting standards.

These financial statements were authorised for issue by the partners on the 14 August 2020.

Segmental Reporting

The entity operates in the forestry industry at locations in the North Island of New Zealand.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed, with the exception that certain assets specified below have been revalued.

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with the NZ equivalents to International Financial Reporting Standards. The financial statements also comply with International Financial Reporting Standards. For this purpose, the Partnership has designated itself to be profit-oriented.

New Zealand dollars are Saddleback Forest Partnership functional and presentational currency.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

i Receivables and payables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts). The resulting carrying amount for receivables is not materially different from estimated realisable value.

ii The forest plantations are recorded at fair value less estimated point of sale costs. Any gains or losses in the fair value of the forest are recorded in the Statement of Total Profit/Loss.

iii NZ ETS Units without any future liability attached to them have been recorded at fair value, and any subsequent gains or losses are recorded in the Statement of Total Profit/Loss.

iv Revenue from contracts with customers (harvest income) is recognised as performance obligations are met. Revenue is measured based on consideration specified in the contract and excludes amounts collected on behalf of third parties. Interest and other revenue is recognised in the period it is earned.

SILKS AUDIT LTD CHARTERED ACCOUNTANTS SA

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

vi Cash and cash equivalents include cash on hand, bank balances, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

vii Property improvements, plant and equipment is recorded at cost less accumulated depreciation. Land is recorded at cost less Pre-1990 compensatory NZUs received. Depreciation has been calculated on a diminishing value basis.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in the Statement of Total Profit/Loss and is calculated as the difference between the sale price and the carrying value of the item.

Depreciation is provided for on a diminishing value basis on all tangible property, plant and equipment other than freehold land and capital work in progress, at depreciation rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful lives.

Major Depreciation periods are:
Land Improvements - average 27 years

Roading that has a useful life of greater than 12 months is capitalised and depreciated. Roading with a useful life of less than 12 months, and all road maintenance, is expensed as incurred.

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

ix All taxable profits or losses are assessed to the partners of the partnership.

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

xi NZ ETS units are recorded at fair value to the extent that there is no liability attributing to units.

Changes in Accounting Policies

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 Saddleback Forest Partnership is that of Afforestation. The partnership grows pinus radiata for the purpose of selling the harvest in 2021 and 2022.

SILKS AUDIT LTD CHARTERED ACCOUNTANTS

Saddleback Forest Partnership

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

	Feb 2020	*Feb 2019*
	$	$

4. CASH AND CASH EQUIVALENTS

B N Z Current Account	162,395	26,206
B N Z Deposit - Investment Fund	176,259	243,663
	$338,654	$269,869

Deposit - Investment Fund

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

5. PLANTATION DETAILS

The plantation is comprised of Pinus Radiata trees planted in the Hastings District. The Net Stocked Area of approximately 251 hectares was planted in 1993 (247ha) and 1994 (10ha). The forest is a consumable immature biological asset.

	Feb 2020	*Feb 2019*
	$	$
Reconciliation of Net Stocked Area		
Opening Net Stocked Area (Approx.)	265	271
Less Area Harvested	(14)	(6)
Less Windthrow & Area Recalculation	-	-
Closing Net Stocked Area (Approx.)	251	265

6. PLANTATION REVALUATIONS

Valuer

The plantation was valued as at 29 February 2020 by Andrew Clarke, 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.

SILKS AUDIT LTD CHARTERED ACCOUNTANTS

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 between 26 and 32 has been assumed for the majority of the radiata crops. Some small stands have been assigned other clearfell ages to coincide with the harvesting of larger neighbouring stands. Yields have been projected from measured starting points (where data allows) using appropriate growth models. The Atlas Forecaster modelling system has been used. A significant increase in this input would increase the fair value of the plantation.

Log Prices

The radiata pine log prices used in the valuation have been derived from prices paid at the Gisborne and Napier ports over the past three years. An exception to this is the radiata domestic pulp price, which has been derived from the three-year average price (averaged to February 2020) as reported by MPI. They range from $57 to $191 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.

SILKS AUDIT LTD SA CHARTERED ACCOUNTANTS

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

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

Discount Rate

The discount rate used in the estimate of the tree crop market value is important. The value estimate of young immature forests in particular is very sensitive to the choice of discount rate. The discount rate used represents a real rate of return, which is over and above inflation. Rates quoted by financial institutions are generally nominal rates, which include inflation. The discount rate selected of 6.0% (2019 - 6.0%) (the equivalent pre-tax discount rate is 8.5%) 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. It has not as yet been possible to quantify this premium or conclude that such premium still applies to any or all post-1989 forests. This valuation therefore does not include any value in respect of this carbon trading opportunity. A significant increase in this input would increase the fair value of the plantation.

Quantitative Information About Unobservable Inputs

Average weighted stumpage is estimated at $ per hectare based on the expected log volumes and types.

Annual expenditure is based on the current estimate of the costs to be incurred with reference to prior costs incurred and the remaining silviculture program.

The discount rate used to derive the fair value is 8.5% pre-tax.

Inter-relationship With Fair Value Measurement

The estimated fair value would increase (decrease) if the average weighted stumpage was higher (lower).
The estimated fair value would increase (decrease) if the estimated annual expenditure was lower (higher).
The estimated fair value would increase (decrease) if the discount rate was lower (higher).
The estimated fair value would increase (decrease) if the log prices were higher (lower)
The estimated fair value would increase (decrease) if the harvest rotation age extents (comes forward)
The estimated fair value would increase (decrease)if the notional land value increases (decreases)

SILKS AUDIT LTD CHARTERED ACCOUNTANTS

Saddleback Forest Partnership

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

7. PROPERTY, PLANT AND EQUIPMENT

	Opening Value	Additions/ Deletions	Closing Value
Land and Improvements - 2019 Year			
Cost - February 1995	184,665	267,076	451,741
Accumulated Depreciation	(546)	(4,560)	(5,106)
Net Book Value	184,119	262,516	446,635
Land and Improvements - 2020 Year			
Cost - February 1995	451,741	298,070	749,811
Accumulated Depreciation	(5,106)	(98,424)	(103,530)
Net Book Value	446,635	199,646	646,281

The latest capital value set by Quotable Value for rating purposes in August 2019 was $790,000

8. CASH FLOW RECONCILIATION

	Feb 2020 $	*Feb 2019* $
Reconciliation of Cash Flows from Operating Activities.		
Reported Surplus for Year	(870,783)	2,106,706
Non Cash Item - Depreciation	98,424	4,560
Non Cash Item - Forest Revaluation	1,237,000	(1,377,000)
Non-Cash Item - NZU Revaluation	(27,904)	(552,075)
	436,737	182,191
Movements in Working Capital:		
(Increase)/Decrease in Accounts Receivable	471,380	(440,466)
Increase/(Decrease) in Accounts Payable	(248,464)	249,338
(Increase)/Decrease in GST	(18,678)	(5,843)
	204,239	(196,970)
Net Cash Flow from Operating Activities	$640,977	($14,779)

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.

SILKS AUDIT SA CHARTERED ACCOUNTANTS LTD

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 and cashflow from the sale of surplus carbon units held. The financial assets risks are being managed in accordance with normal procedures. Cash Balance funds are held with BNZ which are monitored by the Supervisor as Custodian.

Currency Risk

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

Price Rate Risk

Price risk is the risk that the value of financial instruments and the interest margin will fluctuate as a result of changes in market interest rates. The risk is that financial assets may re-price at a different time and/or by a different amount than financial liabilities. The partnership considers that such risk is minimal given that no funds are owed to other financial institutions.

Financial Risk Strategy

The Partnership risk management strategy is to use a combination of 100% equity finance from the partners or revenue from interest received and the sale of carbon.

10. EVENTS AFTER BALANCE DATE

There have been no significant events subsequent to balance date, except in relation to Covid-19, as referred to in Note 18.

11. EMISSIONS TRADING SCHEME

Saddleback Forest Partnership has voluntarily deregistered from the Emissions Trading Scheme ("ETS") in relation to 251 ha of plantation forest.
Saddleback Forest Trustee Limited has replaced Corporate Trust Limited as trustee holding the Partnership land as registered proprietor in trust for the Partnership. Saddleback Forest Trustee Limited holds 22,323 NZUs (2019 - 22,323) on the New Zealand Emission Unit Register on behalf of the partners.
During the year, 0 NZU's were sold. Of the 22,323 NZU Units held at balance date, 22,323 are able to be sold liability free, including 240 pre-1990 units. The partnership elects to record the NZU's at Fair Value based on prices offered by brokers as at 29 February 2020 and this is $585,979 (2019 - $558,075)

	Feb 2020	***Feb 2019***
	No.	No.
Opening Units Held	22,323	22,323
Emissions Trading Units Sold	-	-
Emissions Trading Units Surrendered	-	-
Emissions Trading Units Allocation	-	-
Closing Units Held	22,323	22,323

SILKS AUDIT SA CHARTERED ACCOUNTANTS LTD

12. CAPITAL COMMITMENTS & OPERATING LEASES

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

13. CONTINGENT ASSETS & CONTINGENT LIABILITIES

There were no contingent assets nor contingent liabilities as at balance date (2019 nil).

14. RELATED PARTIES

The partnership received harvesting receipts of $1,597,043 (2019 - $417,917) from Forest Management NZ Limited, in which R R Dickie, a partner, has a controlling interest. These transactions occurred on normal commercial terms and conditions. The amount outstanding at balance date was $0 (2019 - $471,380)

The partnership paid administration fees of $4,680 (2019 - $5,026) to Roger Dickie (NZ) Limited, commission on NZU Sales of $0 and management fees and forest expenses of $1,594,567 (2019 - $16,086) and forest harvest management fees of $63,882 (2019 - $16,717) to Forest Management (NZ) Limited, 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 $875 (2019 - $522,414). 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

Saddleback 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

SILKS AUDIT SA CHARTERED ACCOUNTANTS LTD

plantable area, topography and soils, climate, growth potential, forest development programme, planting and tending, and forecast yields.

Has knowledge of the geographic estate that the forest is growing in.

Inspects a subset of forests each year.

Carries out a ground-check map (to validate net stocked area, access).

Checks tending status, and uniformity of stocking, on a selection of stands (to validate measurement data provided).

Visual checks of stand condition (crop health, growth to date).

Checks for protection measures (e.g. water points, evidence pest control).

Seek explanations for any changes observed in net stocked area, crop typing.

16. PARTNERSHIP STRUCTURE

Partners have subscribed for Partnership Interests in the Partnership. The number of Partnership Interests has been fixed at 300,000 and they have no nominal value. The partners are required to contribute capital, and to share partnership profits and losses, pro rata in accordance with the number of Partnership Interests held by them in the Partnership. Capital contributions are in accordance with an annually approved budget. The Partners are jointly and severally liable for all Partnership debts. Roger Dickie No 8 Limited partnership capital is unpaid. As disclosed in the prospectus, the payment is deferred and will be debited against his share of income from log sales.

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

NZ IFRS 16: Leases. This standard replaces NZ IAS 17: Leases and changes the way in which the Partnership accounts for its operating leases. The new standard requires recognition of lease liability and a right-of-use asset at inception based on future lease payments and substantially all lease contracts. NZ IRFS 16 is effective for the year ending 31 March 2020 with early adoption permitted. The impact of adopting the standard is not significant.

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

18. COVID-19 CORONAVIRUS

On March 11, 2020, the World Health Organisation declared the outbreak of COVID-19 (a novel Coronavirus) a pandemic. Two weeks later, on 26 March, New Zealand increased its' COVID-19 alert level to level 4 and a nationwide lockdown commenced. At the date of issuing the financial statements, the partnership has been able to absorb the majority of the impact from the nationwide lockdown and global financial downturn. At this time the full financial impact of COVID-19 pandemic is not able to be determined.

SILKS AUDIT SA LTD CHARTERED ACCOUNTANTS

Saddleback Forest Partnership

IRD No 060-562-296

Detailed Statement of Changes in Equity

For the Year Ended 29 February 2020

	EQUITY ACCOUNTS					TAX RETURN	
	Balance 2019	Share of Profit	Sales Entries	RWT	Payouts	Closing Balance	Share of Tax Profit
Adair Enterprises Limited	85,717	13,533	-	(42)	-	99,207	13,533
Werthmueller, R	42,858	6,766	-	(21)	-	49,604	6,766
Casey, J B	94,567	14,930	-	(46)	-	109,451	14,930
Clearly Rod Limited	85,717	13,533	-	(42)	-	99,207	13,533
Clemerson, P	85,717	13,533	-	(42)	-	99,207	13,533
Cooper, V W	65,037	10,268	-	(32)	-	75,274	10,268
Crawshaw, R V (deceased)	88,673	-	(88,673)	-	-	-	-
Crawshaw, WAH	-	3,500	22,172	(11)	-	25,662	3,500
D J Forestry Limited	85,717	13,533	-	(42)	-	99,207	13,533
Durrant Investments Limited	94,974	14,994	-	(46)	-	109,922	14,994
Delany, G R	-	3,499	22,165	(11)	-	25,653	3,499
Delany, W J	-	3,499	22,165	(11)	-	25,653	3,499
Glenn, A R	85,717	13,533	-	(42)	-	99,207	13,533
Hopkins Forestry Limited	85,717	13,533	-	(42)	-	99,207	13,533
Jackson Forestry Limited	88,046	13,900	-	(43)	-	101,903	13,900
Morrison, D M	85,717	13,533	-	(42)	-	99,207	13,533
O'Connor, M E & S U	79,473	12,547	-	(39)	-	91,981	12,547
Oakvale Holdings Limited	85,717	13,533	-	(42)	-	99,207	13,533
R.M. & R.E. Aitken Limited	86,581	13,669	-	(42)	-	100,208	13,669
Radiata Investments Limited	85,717	13,533	-	(42)	-	99,207	13,533
Retrospect Investments Limited	88,673	13,999	-	(43)	-	102,629	13,999
Roach, M R	-	3,500	22,172	(11)	-	25,662	3,500
MR & JE Plimmer Family Trusts Partnership	85,717	13,533	-	(42)	-	99,207	13,533
Schonyan, O R	85,717	13,533	-	(42)	-	99,207	13,533
Scrimgeour, R N	85,717	13,533	-	(42)	-	99,207	13,533
Smith, R K	85,717	13,533	-	(42)	-	99,207	13,533
Troutbeck Limited	85,717	13,533	-	(42)	-	99,207	13,533
Trumpet Enterprises Limited	87,167	13,761	-	(43)	-	100,886	13,761
Wendering-Gelsen, M	41,115	6,491	-	(20)	-	47,587	6,491
Roger Dickie No 8 Limited - see Note 16	19,140	13,533	-	(42)	-	32,631	13,533
	2,076,341	338,313	-	(1,046)	-	2,413,609	338,313
Retained Earnings	9,269,419	(1,209,096)	-	-	-	8,060,323	
Total Equity	11,345,761	(870,783)	-	(1,046)	-	10,473,932	

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

SILKS AUDIT SA LTD CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS REPORT

To the Partners of Saddleback Forest Partnership

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Saddleback Forest Partnership (the partnership) on pages 1 to 15, which comprise the statement of financial position as at 29 February 2020, and the statement of total profit/loss and other comprehensive income, statement of changes in equity and cashflow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at 29 February 2020, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Partnership in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Partnership.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were address in the context of our audit of the financial statements as a whole, and in forming our opinion. We do not provide a separate opinion on these matters.

Biological Assets (Plantations)

Why Significant

The partnerships plantation (forest) asset value comprises the majority of the entity's net asset value. Management engages an independent registered forest valuer, PF Olsen, to determine the fair value of this asset.

As explained in the accounting policy 1(ii) the forest plantations are recorded at fair value less estimated point of sale costs.

How our audit addressed the key audit matter

To address the key audit matter, we:

- Assessed the competence, qualifications, independence and objectivity of the external valuer. We also obtained representation from them regarding their independence and the scope of their work;

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These valuations require the exercise of judgement on behalf of the valuer. Key amongst these judgements are:

- Discount rate
- Log prices
- Projected yields
- Projected costs

This complexity with the valuation model results in this being an area of audit focus.

Plantation valuations are performed annually and last carried out in February 2020.

- The appropriateness of the valuation methodology;
- The accuracy of the underlying data used for the valuation;
- Assess the significant input assumptions applied by the valuer for reasonableness compared to previous periods assumptions, and other market changes;
- Meeting with the valuer to understand the valuation process adopted. The purpose of the meeting was to identify and challenge the critical judgement areas in the valuation model and to confirm the valuation approach was in accordance with NZ IAS 41;
- Engage a Forestry expert appointed by us as auditors to review the key assumptions and judgements used in the valuation report;
- Assessed the adequacy of the related financial statement disclosures.

Harvesting Revenue

Why Significant
The partnerships harvesting revenue comprises a majority of the entity's total revenue received.

How our audit addressed the key audit matter
To address the key audit matter, we:

- Assessed the internal controls and systems relating to income recording.
- We have agreed the monthly harvesting statements issued by FMNZ to the general ledger.
- We have compared tonnes produced against actual tonnes sold.
- We have reconciled the net stock area movement for the year to PF Olsen's valuation reports based on their site inspections

Administrator's Responsibilities for the Financial Statements
The administrators are responsible on behalf of the Partnership for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the administrators determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the administrators are responsible on behalf of the Partnership for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the administrators either intend to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

Auditors Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A detailed description of the auditors' responsibilities including those related to assessment of risk of material misstatement, evaluation of appropriateness of going concern assumptions and determining key audit matters are available on the external reporting board website:
http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/

The engagement partner on the audit resulting in this independents auditor's report is Cameron Town.

Silks Audit

Silks Audit Chartered Accountants Limited
Whanganui, New Zealand

Date: 14 August 2020

Saddleback Forest Partnership (060-562-296)

2020 Partnership Tax Summary (IR7) 1 March 2019 to 29 February 2020

Allocation to Partner

Adair Enterprises Limited

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Casey, Joseph Bartholomew

Interest	190.71
Passive income	14,739.04
Total Income	14,929.75
Interest tax credits	46.16
Total Tax Credits	46.16
Deductions for extinguished losses	0.00

Clearly Rod Limited

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Clemerson, Peter

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Saddleback Forest Partnership (060-562-296)

2020 Partnership Tax Summary (IR7) 1 March 2019 to 29 February 2020

Cooper, Vaughan

Interest	131.16
Passive income	10,136.64
Total Income	10,267.80
Interest tax credits	31.74
Total Tax Credits	31.74
Deductions for extinguished losses	0.00

D J Forestry Limited

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Durrant Investments Limited

Interest	191.53
Passive income	14,802.50
Total Income	14,994.03
Interest tax credits	46.36
Total Tax Credits	46.36
Deductions for extinguished losses	0.00

Glenn, Robert

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Hopkins Forestry Limited

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Jackson Forestry Limited

Interest	177.56
Passive income	13,722.60
Total Income	13,900.16
Interest tax credits	42.97
Total Tax Credits	42.97
Deductions for extinguished losses	0.00

Morrison, David

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Oakvale Holdings Limited

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Saddleback Forest Partnership (060-562-296)

2020 Partnership Tax Summary (IR7) 1 March 2019 to 29 February 2020

R.M. & R.E. Aitken Limited

Interest	174.61
Passive income	13,494.35
Total Income	13,668.96
Interest tax credits	42.26
Total Tax Credits	42.26
Deductions for extinguished losses	0.00

Roger Dickie No 8 Limited

Interest	172.86
Passive income	13,359.62
Total Income	13,532.48
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Radiata Investments Limited

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Retrospect Investments Limited

Interest	178.83
Passive income	13,820.56
Total Income	13,999.39
Interest tax credits	43.28
Total Tax Credits	43.28
Deductions for extinguished losses	0.00

Schonyan, Owen

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Scrimgeour, Raymond

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Troutbeck Limited

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

Trumpet Enterpises Limited

Interest	175.79
Passive income	13,585.67
Total Income	13,761.46
Interest tax credits	42.54
Total Tax Credits	42.54
Deductions for extinguished losses	0.00

Saddleback Forest Partnership (060-562-296)

2020 Partnership Tax Summary (IR7) 1 March 2019 to 29 February 2020

Smith, Roger

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

O'Connor, Mark Edward

Interest	80.14
Passive income	6,193.34
Total Income	6,273.48
Interest tax credits	19.40
Total Tax Credits	19.40
Deductions for extinguished losses	0.00

Wendering-Gelsen, Melanie

Interest	82.92
Passive income	6,408.19
Total Income	6,491.11
Interest tax credits	20.07
Total Tax Credits	20.07
Deductions for extinguished losses	0.00

Werthmueller, Robert

Interest	86.43
Passive income	6,679.83
Total Income	6,766.26
Interest tax credits	20.92
Total Tax Credits	20.92
Deductions for extinguished losses	0.00

Saddleback Forest Partnership (060-562-296)

2020 Partnership Tax Summary (IR7) 1 March 2019 to 29 February 2020

MR & JE Plimmer Family Trusts Partnership

Interest	172.86
Passive income	13,359.66
Total Income	13,532.52
Interest tax credits	41.84
Total Tax Credits	41.84
Deductions for extinguished losses	0.00

O'Connor, Simone Ulrike

Interest	80.14
Passive income	6,193.30
Total Income	6,273.44
Interest tax credits	19.39
Total Tax Credits	19.39
Deductions for extinguished losses	0.00

Crawshaw, Wynn Alexander Hamlyn

Interest	44.71
Passive income	3,455.71
Total Income	3,500.42
Interest tax credits	10.82
Total Tax Credits	10.82
Deductions for extinguished losses	0.00

Delany, Georgia Rae

Interest	44.70
Passive income	3,454.57
Total Income	3,499.27
Interest tax credits	10.82
Total Tax Credits	10.82
Deductions for extinguished losses	0.00

Saddleback Forest Partnership (060-562-296)

2020 Partnership Tax Summary (IR7) 1 March 2019 to 29 February 2020

Delany, Wilson James

Interest	44.70
Passive income	3,454.57
Total Income	3,499.27
Interest tax credits	10.82
Total Tax Credits	10.82
Deductions for extinguished losses	0.00

Roach, Monica Rose

Interest	44.79
Passive income	3,455.65
Total Income	3,500.44
Interest tax credits	10.78
Total Tax Credits	10.78
Deductions for extinguished losses	0.00