

Sherwood Forest Partnership
Forestry
Financial Statements
for the Year Ended 28 February 2019

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Sherwood Forest Partnership

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

	<u>Feb 2019</u> \$	<u>Feb 2018</u> \$	<u>Budget</u> \$
<u>Operating Revenue</u>			
Interest Received	5,374	3,391	60
Carbon Credit Sales (Net)	-	473,731	-
Grazing Received	600	600	-
	<u>5,974</u>	<u>477,722</u>	<u>60</u>
<u>Forest Expenses</u>			
Fire Control	300	265	300
Management & Supervision Fees	8,637	8,936	12,875
Plot Imputation	3,499	1,954	4,189
Pre-Harvest Inventory Expense	-	-	13,811
	<u>12,436</u>	<u>11,155</u>	<u>31,175</u>
<u>Operating Expenses</u>			
Accommodation Complex Expenses	550	1,187	2,400
Accountancy Fees	2,790	2,735	2,790
Administration	5,026	4,440	4,536
Audit Fees	1,575	1,575	1,595
Bank Fees	91	90	60
Compliance	876	2,686	672
Depreciation for Period	1,235	1,236	1,235
Environmental Standards Expense	627	-	-
Legal Expenses	55	95	600
Meeting Costs	416	362	450
Repairs & Maintenance - Fences	-	75	3,000
Repairs & Maintenance - Tracks & Dams	4	5	3,500
Statutory Supervisor	1,500	1,437	1,500
Subscriptions - Forest Health, Research, Kyoto	814	617	645
Sundry Expenses	305	302	2,303
Valuation - Forest	159	464	465
Weed & Pest Control	-	-	1,000
	<u>16,024</u>	<u>17,306</u>	<u>26,751</u>
<u>Standing Charges</u>			
Insurance - Buildings	345	337	-
Insurance - Public Liability	583	530	610
Insurance - Plantations	11,892	11,970	11,970
Rates	8,495	5,499	5,600
	<u>21,315</u>	<u>18,336</u>	<u>18,180</u>
<u>Total Expenses</u>	<u>49,775</u>	<u>46,797</u>	<u>76,106</u>
<u>Profit/(Loss) for Tax Purposes</u>	(43,801)	430,924	(76,046)
Fair Value Movement -			
Plantation Revaluation Increase (Decrease)	1,342,000	1,178,000	-
Liability-free NZU Value Increase (Decrease)	487,350	-	-
<u>Net Surplus/(Deficit) for Year</u>	<u>1,785,549</u>	<u>1,608,924</u>	<u>(76,046)</u>
Comprehensive Income	-	-	-
<u>Total Comprehensive Income</u>	<u>\$1,785,549</u>	<u>\$1,608,924</u>	<u>(\$76,046)</u>

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

Sherwood Forest Partnership

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

	<u>Note</u>	<u>Capital Accounts</u>	<u>Retained Earnings</u>	<u>2019 Total</u>
Equity as at 1 March 2018		2,167,228	3,160,661	5,327,889
Total Comprehensive Income		0	1,785,549	1,785,549
Total Contributions From Partners		(136,126)	-	(136,126)
Total Transactions with Owners		(136,126)	-	(136,126)
Equity as at 28 February 2019		<u>2,031,102</u>	<u>4,946,210</u>	<u>6,977,312</u>

	<u>Capital Accounts</u>	<u>Retained Earnings</u>	<u>2018 Total</u>
Equity as at 1 March 2017	1,737,299	1,982,661	3,719,960
Total Comprehensive Income	430,924	1,178,000	1,608,924
Total Contributions From Partners	(995)	-	(995)
Total Transactions with Owners	(995)	-	(995)
Equity as at 28 February 2018	<u>2,167,228</u>	<u>3,160,661</u>	<u>5,327,889</u>

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

Sherwood Forest Partnership

Statement of Financial Position As at 28 February 2019

	<u>Note</u>	<u>Feb 2019</u> \$	<u>Feb 2018</u> \$
<u>Current Assets</u>			
Accounts Receivable		-	28,827
Cash and Cash Equivalents	4	270,057	415,179
Goods & Services Tax		4,652	3,305
NZ ETS Units		<u>487,350</u>	<u>-</u>
		762,059	447,312
<u>Non Current Assets</u>			
<u>Plantations</u>			
Plantation Value		4,553,000	3,375,000
Revaluation for Year	6	<u>1,342,000</u>	<u>1,178,000</u>
		5,895,000	4,553,000
<u>Property, Plant and Equipment</u>			
Land	7	321,713	321,713
Land Improvements		85	90
Buildings & Furniture		<u>4,544</u>	<u>5,774</u>
		326,342	327,577
<u>Total Assets</u>		<u>6,983,401</u>	<u>5,327,889</u>
<u>Less Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable		6,089	-
<u>Total Net Assets</u>		<u>\$6,977,312</u>	<u>\$5,327,889</u>
Represented by:			
<u>Equity</u>			
Capital Contributions per Schedule		2,031,100	2,167,226
Retained Earnings		<u>4,946,212</u>	<u>3,160,663</u>
		<u>\$6,977,312</u>	<u>\$5,327,889</u>



Roger Dickie

24 June 2019



William Dickie

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

Sherwood Forest Partnership

Cashflow Statement For the Year Ended 28 February 2019

	<u>Note</u>	<u>Feb 2019</u> \$	<u>Feb 2018</u> \$
<u>Cash Flows from Operating Activities</u>			
Cash was provided from:			
Interest Received		5,374	3,391
Operating Income		600	600
Carbon Credit Sales		<u>28,827</u>	<u>444,904</u>
		34,801	448,894
Cash was applied to:			
Operating Expenses		47,832	46,613
Goods & Services Tax		<u>1,346</u>	<u>1,106</u>
		49,178	47,719
Net Cash inflow (outflow) from operating activities	8	<u>(14,377)</u>	401,176
<u>Cash Flows from Financing Activities</u>			
Cash was provided from:			
Payouts to Partners		<u>(130,745)</u>	<u>(995)</u>
Net cash inflow (outflow) from financing activities		(130,745)	(995)
Net increase (decrease) in cash held		(145,122)	400,180
Cash at Start of Year		<u>415,179</u>	<u>14,999</u>
Cash at End of Year		<u>\$270,057</u>	<u>\$415,179</u>

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

Sherwood Forest Partnership

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

These financial statements were authorised for issue by the partners on the 24 June 2019.

Segmental Reporting

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

Measurement Base

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

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

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

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 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.

Sherwood Forest Partnership

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

- 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 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 23 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

NZ ETS units were previously recorded at nominal cost value. However, to the extent that there is no liability attaching to units, these have now been recorded at fair value.
There have been no other changes in accounting policies. All other 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 Sherwood Forest Partnership is that of Afforestation. The partnership grows pinus radiata for the purpose of selling the harvest in 2022.

Sherwood Forest Partnership

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

	<u>Feb 2019</u>	<u>Feb 2018</u>
4. CASH AND CASH EQUIVALENTS		
B N Z Current Account	35,745	35,279
B N Z Deposit - Investment Fund	234,312	379,900
	<u>\$270,057</u>	<u>\$415,179</u>

Deposit - Investment Fund

The deposit is available to fund any future obligation that Sherwood Forest Partnership may assume under its arrangement with other partnerships in the Roger Dickie Group Investment Fund. Sherwood 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 Wairoa District. The Net Stocked Area of approximately 265 hectares was planted in 1993 (40ha) and 1994 (225ha). The forest is a consumable immature biological asset.

	<u>Feb 2019</u>	<u>Feb 2018</u>
<u>Reconciliation of Net Stocked Area</u>		
Opening Net Stocked Area (Approx.)	265	265
Less Area Harvested	-	-
Less Windthrow & Area Recalculation	-	-
Closing Net Stocked Area (Approx.)	<u>265</u>	<u>265</u>

6. **PLANTATION REVALUATIONS**

Valuer

The plantation was valued as at 28 February 2019 by Jeff Schnell, Registered Forestry Consultant (NZIF), of PF Olsen Limited, forest consultants and managers. The estimated fair value of the plantation is categorised within Level 3 of the fair value hierarchy.

Valuation Methodology

The valuation uses the following procedure:

- i Future Yields are forecast.
- ii Log prices are attached and harvest costs deducted to arrive at projected harvest revenues.
- iii Projected clearfell revenues are reduced to account for attrition.
- iv Future costs are added.
- v The effect of taxation is modelled from a purchaser's perspective.
- vi The resulting post-tax cashflow is discounted at the nominal discount rate. This generates a Net Present Value (NPV) by stand and by forest.

If the stand has a negative NPV after the discounting as above, then the stand value is assessed as the sum of the current replacement costs.

The fair value estimate excludes the value of the land and the improvements thereon.

Also excluded are any costs and revenues associated with subsequent crops, and any value arising from the Emissions Trading Scheme.

The key inputs used in obtaining fair value are as follows, along with their sensitivity to a significant increase or decrease.

Sherwood Forest Partnership

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

Projected Yield

The growth potential was determined for each crop type based on measurement data supplied by the forest manager. Where a crop has not been measured, the indices estimated in the original prospectus have been used. A clearfell age of 26 has been assumed for the majority of the radiata crops. Some small stands have been assigned other clearfell ages to coincide with the harvesting of larger neighbouring stands. Yields have been projected from measured starting points (where data allows) using appropriate growth models. The Atlas Forecaster modelling system has been used. A significant increase in this input would increase the fair value of the plantation.

Log Prices

The radiata pine log prices used in the valuation have been derived from prices paid at the Gisborne and Napier ports over the past three years. An exception to this is the radiata domestic pulp price, which has been derived from the three-year average price (averaged to February 2019) as reported by MPI. They range from \$54 to \$186 per m³ depending on grade. Log prices for other species are taken from recent industry publications and other sources. A significant increase in this input would increase the fair value of the plantation.

Projected Costs

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

- i Tending costs vary with the age of the trees and depending on the rate of growth. The projected age of the pre-harvest inventory is two years prior to clearfell at this point the harvest plan can be prepared which forms the basis of specific costings for the harvest. Prior to the pre-harvest inventory and harvest plan being prepared tending costs used in the valuation represents an average across all crop costs and may differ when a pre-harvest inventory and harvest plan is completed.
- ii Annual costs for insurance, forest management and other costs have been expressed in dollars per hectare over the whole estate. Costs may vary from forest to forest depending upon a number of forest related management factors.
- iii Clearfell harvest costs are defined as all costs from stump to price point defined as at wharf or mill gate. They 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.

Sherwood Forest Partnership

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

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

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

Discount Rate

The discount rate used in the estimate of the tree crop market value is important. The value estimate of young immature forests in particular is very sensitive to the choice of discount rate. The discount rate used represents a real rate of return, which is over and above inflation. Rates quoted by financial institutions are generally nominal rates, which include inflation. The discount rate selected of 6.0% (2018 - 6.5%) (the equivalent pre-tax discount rate is 8.1%) is based on rates derived from actual transactions in the last three years applied to post-tax cash flows. A significant increase in this input would decrease the fair value of the plantation.

Impact of the Emissions Trading Scheme

In respect of the pre-1990 forest land the carbon credits allocation, in the valuer's opinion, does not impact on the tree crop market value estimate. In respect of the post-1989 forest land premiums may have been paid for this carbon trading opportunity. It has not as yet been possible to quantify this premium or conclude that such premium still applies to any or all post-1989 forests. This valuation therefore does not include any value in respect of this carbon trading opportunity. A significant increase in this input would increase the fair value of the plantation.

Quantitative Information About Unobservable Inputs

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

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

The discount rate used to derive the fair value is 8.1% pre-tax.

Inter-relationship With Fair Value Measurement

The estimated fair value would increase (decrease) if the average weighted stumpage was higher (lower).

The estimated fair value would increase (decrease) if the estimated annual expenditure was lower (higher).

The estimated fair value would increase (decrease) if the discount rate was lower (higher).

The estimated fair value would increase (decrease) if the log prices were higher (lower)

The estimated fair value would increase (decrease) if the harvest rotation age extends (comes forward)

The estimated fair value would increase (decrease) if the notional land value increases (decreases)

Sherwood Forest Partnership

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

7. PROPERTY, PLANT AND EQUIPMENT

	Opening Value	Additions/ Deletions	Closing Value
<u>Land and Improvements - 2018 Year</u>			
Cost - February 1995	325,942	-	325,942
Accumulated Depreciation	(4,133)	(6)	(4,139)
Net Book Value	<u>321,809</u>	<u>(6)</u>	<u>321,803</u>
<u>Buildings & Furniture</u>			
Cost	30,756	-	30,756
Accumulated Depreciation	(23,752)	(1,230)	(24,982)
Net Book Value	<u>7,004</u>	<u>(1,230)</u>	<u>5,774</u>
<u>Land and Improvements - 2019 Year</u>			
Cost - February 1995	325,942	-	325,942
Accumulated Depreciation	(4,139)	(5)	(4,144)
Net Book Value	<u>321,803</u>	<u>(5)</u>	<u>321,798</u>
<u>Buildings & Furniture</u>			
Cost	30,756	-	30,756
Accumulated Depreciation	(24,982)	(1,230)	(26,212)
Net Book Value	<u>5,774</u>	<u>(1,230)</u>	<u>4,544</u>

The latest capital value set by Quotable Value for rating purposes in August 2018 was \$940,000

8. CASH FLOW RECONCILIATION

	<u>Feb 2019</u>	<u>Feb 2018</u>
<u>Reconciliation of Cash Flows from Operating Activities.</u>		
Reported Surplus for Year	1,785,549	1,608,924
Non Cash Item - Depreciation	1,235	1,236
Non Cash Item - Forest Revaluation	(1,342,000)	(1,178,000)
Non-Cash Item - NZU Revaluation	(487,350)	-
	<u>(42,566)</u>	<u>432,160</u>
Movements in Working Capital:		
(Increase)/Decrease in Accounts Receivable	28,827	(28,827)
Increase/(Decrease) in Accounts Payable	708	(1,052)
(Increase)/Decrease in GST	(1,346)	(1,106)
	<u>28,189</u>	<u>(30,985)</u>
Net Cash Flow from Operating Activities	<u>(\$14,377)</u>	<u>\$401,176</u>

9. FINANCIAL INSTRUMENTS

Interest Rate Risk

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

Sherwood Forest Partnership

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

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 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 Trustee Supervisor.

Currency Risk

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

Price Rate Risk

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

Financial Risk Strategy

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

10. EVENTS AFTER BALANCE DATE

There have been no significant events subsequent to balance date.

11. EMISSIONS TRADING SCHEME

Sherwood Forest Partnership has voluntarily deregistered from the Emissions Trading Scheme ("ETS") in relation to 265 ha of plantation forest.

Sherwood Forest Trustee Limited has replaced Corporate Trust Limited as trustee holding the Partnership land as registered proprietor in trust for the Partnership. Sherwood Forest Trustee Limited holds 19,494 NZUs (2018 - 19,494) on the New Zealand Emission Unit Register on behalf of the partners.

During the year, 0 NZU's were sold. Of the 19,494 NZU Units held at balance date, 19,494 are able to be sold liability free. The partnership elects to record the NZU's at Fair Value based on prices offered by brokers as at 28 February 2019 and this is \$487,350 (2018 - \$407,814)

Sherwood Forest Partnership

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

	<u>Feb 2019</u> No.	<u>Feb 2018</u> No.
Opening Units Held	19,494	45,388
Emissions Trading Units Sold	-	(25,894)
Emissions Trading Units Surrendered	-	-
Emissions Trading Units Allocation	-	-
Closing Units Held	<u>19,494</u>	<u>19,494</u>

12. CAPITAL COMMITMENTS & CONTINGENT LEASES

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

13. CONTINGENT ASSETS & OPERATING LEASES

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

14. RELATED PARTIES

The partnership paid administration fees of \$5,026 (2018 - \$4,440), commission on NZU Sales of \$0 and management fees and forest expenses of \$13,634 (2018 - \$13,194) 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 \$708 (2018 - \$0). No related party debts have been written off or forgiven during the year.

15. JUDGEMENT AND ESTIMATE UNCERTAINTY

The preparation of financial statements of necessity involves judgement and estimation. The only significant estimation required for the year is the plantation valuation 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

Sherwood 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.

Sherwood Forest Partnership

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

PF Olsen in order to rely upon the physical data provided by FMNZ validates this information on a rotational basis in the following manner:

PF Olsen prepared the initial feasibility study that takes into account significant factors such as plantable area, topography and soils, climate, growth potential, forest development programme, planting and tending, and forecast yields.

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

Inspects a subset of forests each year.

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

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

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

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

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

16. PARTNERSHIP STRUCTURE

Partners have subscribed for Partnership 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 12 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.

Sherwood Forest Partnership

IRD No 061-997-091

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

	EQUITY ACCOUNTS					TAX RETURN	
	Balance 2018	Share of Profit	Sales Entries	RWT	Payouts	Closing Balance	Share of Tax Loss
Anterior Limited	73,304	-	-	(53)	(4,403)	68,849	(1,434)
Colyer, J R N	89,585	-	-	(64)	(5,381)	84,140	(1,752)
Cranleigh Forests Limited	89,585	-	-	(64)	(5,381)	84,140	(1,752)
Dean, R A	89,585	-	-	(64)	(5,381)	84,140	(1,752)
Devereux, T M	49,647	-	-	(36)	(2,982)	46,630	(971)
Edgecombe, M J	98,884	-	-	(71)	(5,939)	92,874	(1,934)
Glynn, K M	93,317	-	-	(67)	(5,605)	87,645	(1,825)
Growing Investments Limited	89,585	-	-	(64)	(5,381)	84,140	(1,752)
Highway Motor Inn's Limited	89,585	-	-	(64)	(5,381)	84,140	(1,752)
Howarth, J L	44,793	-	-	(32)	(2,690)	42,070	(876)
Hurst, K F	78,775	-	-	(56)	(4,732)	73,987	(1,541)
Jones, P A	89,585	-	-	(64)	(5,381)	84,140	(1,752)
Joyce, G A & Bushaway, H as Trustees	44,793	-	-	(32)	(2,690)	42,070	(876)
Knot Free Investments Limited	92,571	-	-	(66)	(5,560)	86,944	(1,810)
Lambie, B J	89,585	-	-	(64)	(5,381)	84,140	(1,752)
Lewis, M R	93,317	-	-	(67)	(5,605)	87,645	(1,825)
Middleton, I B	95,558	-	-	(68)	(5,740)	89,749	(1,869)
Mikelen Limited	89,585	-	-	(64)	(5,381)	84,140	(1,752)
Ronaki Forestry Limited	89,585	-	-	(64)	(5,381)	84,140	(1,752)
Sarafoed Holdings Limited	99,027	-	-	(71)	(5,948)	93,008	(1,937)
Sheriff of Nottingham Limited	115,970	-	-	(83)	(6,966)	108,922	(2,268)
Steppes Forestry Limited	179,169	-	-	(128)	(10,762)	168,279	(3,504)
Stratton Forestry Limited	95,061	-	-	(68)	(5,710)	89,283	(1,859)
Wybrow, B R	89,585	-	-	(64)	(5,381)	84,140	(1,752)
Roger Dickie No 12 Limited - see Note 16	17,189	-	-	(64)	(5,381)	11,744	(1,752)
	2,167,226	-	-	(1,605)	(134,521)	2,031,100	(43,801)
Retained Earnings	3,160,663	1,785,549	-	-	-	4,946,212	
Total Equity	5,327,889	1,785,549	-	(1,605)	(134,521)	6,977,312	

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



INDEPENDENT AUDITORS REPORT

To the Partners of Sherwood Forest Partnership

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sherwood Forest Partnership (the partnership) on pages 1 to 14, which comprise the statement of financial position as at 28 February 2019, 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 28 February 2019, 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;

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 2019.

- 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.

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-5/>

The engagement partner on the audit resulting in this independent auditor's report is Talia Anderson-Town



Silks Audit Chartered Accountants Limited
Whanganui, New Zealand

Date: 24 June 2019

Sherwood Forest Partnership (061-997-091)

2019 Partnership Tax Summary (IR7)

1 March 2018 to 28 February 2019

Allocation to Partner**Anterior Limited**

Interest	175.89
Passive income	(1,609.52)
Total Income	(1,433.63)
Interest tax credits	52.53
Total Tax Credits	52.53
Deductions for extinguished losses	0.00

Colyer, James Roland Nelson

Interest	214.95
Passive income	(1,966.99)
Total Income	(1,752.04)
Interest tax credits	64.20
Total Tax Credits	64.20
Deductions for extinguished losses	0.00

Cranleigh Forests Limited

Interest	214.95
Passive income	(1,966.99)
Total Income	(1,752.04)
Interest tax credits	64.20
Total Tax Credits	64.20
Deductions for extinguished losses	0.00

Dean, Ross

Interest	214.95
Passive income	(1,966.99)
Total Income	(1,752.04)
Interest tax credits	64.20
Total Tax Credits	64.20
Deductions for extinguished losses	0.00

Sherwood Forest Partnership (061-997-091)

2019 Partnership Tax Summary (IR7)

1 March 2018 to 28 February 2019

Devereux, Tania Michelle

Interest	119.12
Passive income	(1,090.11)
Total Income	(970.99)
Interest tax credits	35.58
Total Tax Credits	35.58
Deductions for extinguished losses	0.00

Edgecombe, Marion Jane

Interest	237.26
Passive income	(2,171.16)
Total Income	(1,933.90)
Interest tax credits	70.86
Total Tax Credits	70.86
Deductions for extinguished losses	0.00

Glynn, Kerry Mark

Interest	223.91
Passive income	(2,048.95)
Total Income	(1,825.04)
Interest tax credits	66.88
Total Tax Credits	66.88
Deductions for extinguished losses	0.00

Growing Investments Limited

Interest	214.95
Passive income	(1,966.99)
Total Income	(1,752.04)
Interest tax credits	64.20
Total Tax Credits	64.20
Deductions for extinguished losses	0.00

Sherwood Forest Partnership (061-997-091)

2019 Partnership Tax Summary (IR7)

1 March 2018 to 28 February 2019

Highway Motor Inns Limited

Interest	214.95
Passive income	(1,966.99)
Total Income	(1,752.04)
Interest tax credits	64.20
Total Tax Credits	64.20
Deductions for extinguished losses	0.00

Howarth, John

Interest	107.47
Passive income	(983.49)
Total Income	(876.02)
Interest tax credits	32.10
Total Tax Credits	32.10
Deductions for extinguished losses	0.00

Jones, Peter Arthur

Interest	214.95
Passive income	(1,966.99)
Total Income	(1,752.04)
Interest tax credits	64.20
Total Tax Credits	64.20
Deductions for extinguished losses	0.00

J B Family Trust

Interest	107.47
Passive income	(983.49)
Total Income	(876.02)
Interest tax credits	32.10
Total Tax Credits	32.10
Deductions for extinguished losses	0.00

Sherwood Forest Partnership (061-997-091)

2019 Partnership Tax Summary (IR7)

1 March 2018 to 28 February 2019

Knot Free Investments Limited

Interest	222.11
Passive income	(2,032.55)
Total Income	(1,810.44)
Interest tax credits	66.34
Total Tax Credits	66.34
Deductions for extinguished losses	0.00

Lambie, Bruce James

Interest	214.95
Passive income	(1,966.99)
Total Income	(1,752.04)
Interest tax credits	64.20
Total Tax Credits	64.20
Deductions for extinguished losses	0.00

Lewis, Marianne Ruth

Interest	223.91
Passive income	(2,048.95)
Total Income	(1,825.04)
Interest tax credits	66.88
Total Tax Credits	66.88
Deductions for extinguished losses	0.00

Middleton, Iain

Interest	229.28
Passive income	(2,098.12)
Total Income	(1,868.84)
Interest tax credits	68.48
Total Tax Credits	68.48
Deductions for extinguished losses	0.00

Sherwood Forest Partnership (061-997-091)

2019 Partnership Tax Summary (IR7)

1 March 2018 to 28 February 2019

Mikelen Limited

Interest	214.95
Passive income	(1,966.99)
Total Income	(1,752.04)

Interest tax credits	64.20
Total Tax Credits	64.20

Deductions for extinguished losses	0.00
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Ronaki Forestry Limited

Interest	214.95
Passive income	(1,966.99)
Total Income	(1,752.04)

Interest tax credits	64.20
Total Tax Credits	64.20

Deductions for extinguished losses	0.00
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Saraford Holdings Limited

Interest	237.60
Passive income	(2,174.31)
Total Income	(1,936.71)

Interest tax credits	70.97
Total Tax Credits	70.97

Deductions for extinguished losses	0.00
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Sheriff of Nottingham Limited

Interest	278.26
Passive income	(2,546.33)
Total Income	(2,268.07)

Interest tax credits	83.11
Total Tax Credits	83.11

Deductions for extinguished losses	0.00
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Sherwood Forest Partnership (061-997-091)

2019 Partnership Tax Summary (IR7)

1 March 2018 to 28 February 2019

Steppes Forestry Limited

Interest	429.90
Passive income	(3,933.98)
Total Income	(3,504.08)
Interest tax credits	128.40
Total Tax Credits	128.40
Deductions for extinguished losses	0.00

Stratton Forestry Limited

Interest	228.09
Passive income	(2,087.24)
Total Income	(1,859.15)
Interest tax credits	68.12
Total Tax Credits	68.12
Deductions for extinguished losses	0.00

Roger Dickie No 12 Limited

Interest	214.95
Passive income	(1,966.99)
Total Income	(1,752.04)
Interest tax credits	64.20
Total Tax Credits	64.20
Deductions for extinguished losses	0.00

Wybrow, Barry

Interest	214.95
Passive income	(1,966.99)
Total Income	(1,752.04)
Interest tax credits	64.20
Total Tax Credits	64.20
Deductions for extinguished losses	0.00

Sherwood Forest Partnership (061-997-091)

2019 Partnership Tax Summary (IR7)

1 March 2018 to 28 February 2019

Hurst, Katherine Fiona

Interest	189.00
Passive income	(1,729.63)
Total Income	(1,540.63)
Interest tax credits	56.45
Total Tax Credits	56.45
Deductions for extinguished losses	0.00