Stone House Forest Partnership

2017 Annual Report

Hello,

We are pleased to submit the Annual Report for Stone House Forest Partnership for the year ending 28 February 2017.

This report details the performance, operations and financial results of your forest and meets the new annual reporting requirements detailed in the Financial Markets Conduct Regulations.

It is to be read in conjunction with the audited financial statements.

At the meeting and forest visits in April/May, Roger circulated general industry news and information on the forestry sector.

This annual report covers the following prescribed requirements as set out below:

1. Details of the scheme

(a) The name of the scheme	Stone House Forest Partnership
(b) The name of the manager	Roger Dickie (N.Z.) Limited
(c) The name of the supervisor	Covenant Trustee Services Limited
(d) Latest PDS Date (*see* regulation 280)	The scheme was originally made under the Securities Act 1978 and it transitioned to the FMCA on 30 November 2016. It is a closed scheme and no PDS has been issued.
(e) A reference to the scheme's latest financial statements that have been lodged with the Registrar and auditor's report.	The Financial Statements will be lodged by 30 June 2017 with the Companies Office

2. Description of the scheme

(a) A brief description of the scheme	The principal activity of Stone House Forest Partnership is that of Afforestation. The partnership grows pinus radiata for the purpose of selling the harvest in 2024.
(b) The date on which the scheme started	7 June 1996

3. Information on composition of the scheme

(a) The number of managed investment products on issue as at 1st March 2016	375,000 Partnership Interests
(b) The number of managed investment products on issue at Year Ended February 28, 2017	375,000 Partnership Interests

4. Changes relating to the scheme

A description of the material changes to the nature of the scheme, the scheme property, or the management of the scheme over the accounting period, including any material changes

(a) To the SIPO	There has been no change since being lodged 30 November 2016.

(b) To the governing document

Changes to the Deed of Participation

As part of the transition to a Managed Investment Scheme (MIS) there have been changes in the Deed of Participation to better reflect the more detailed requirements of the FMCA. In summary these changes are:

- the required qualifications for the manager and supervisor of the partnership (including the requirement to hold a licence to act in that position), and the process that would need to be followed if there was a change of manager or supervisor in the future

- the functions of the manager (managing and administering the partnership), the process for the manager appointing agents and delegating functions, the manager's duties under the FMCA (including the duty to act honestly and in the best interests of the partners), and the manager's standard of care
- the functions of the Supervisor (being to supervise the manager and act on behalf of partners, among other things), the process for appointing custodians and sub-custodians, the Supervisor's duties under the FMCA (including the duty to act honestly and in the best interests of the partners), and the Supervisor's standard of care
- the requirement for a SIPO for each partnership which sets out how we manage the partnership's assets, including the forest it is invested in, and outlining the actions that need to be taken if there is a breach of the SIPO
- the requirement to maintain a register of partners and have it audited annually, and the process for appointing an auditor
- amendments to reflect the restrictions on related party transactions under the FMCA, and to update the meeting provisions of the Deed to reflect the requirements of the FMCA
- the requirement to provide more detail around how the partnership's assets are valued and how borrowing would work, if it were approved by the partners in the future
- the way that the Deed can be amended in the future. Currently, any changes need to be for the purposes of complying with relevant law, or be authorised by an ordinary resolution of partners. Under the FMCA, either the Supervisor would need to consider the change to be one that does not have a material adverse effect on the partners, or the change would need to be approved by a special resolution of partners.

A copy of the deed is available on request.

(c) To the nature or scale of related party transactions	The partnership paid administration fees of $4,320 (2016 - $4,150) and management fees and forest expenses of $8,103 (2016 - $10,723) to companies in which R R Dickie, a partner, has a controlling interest.
(d) To the terms of the offer of the managed investment products	There have been no changes to the terms of the offer of the managed investment products in the Scheme.
(e)To valuation and pricing methodologies and the effect of those changes on -	
i) The scheme's net asset value	*No material change*
ii) The value of scheme participants' interests	*No material change*

5. Financial condition and performance of the scheme

The scheme performed as forecast with total expenses coming in under budget at $42,535. There has been no income from harvesting of the forest. This is forecast to start in 2024.

Stone House Forest Partnership

Profit and Loss:

Summary Profit and Loss for the year ending February 28th 2017	
Total Operating Revenue	$22,185
Total Forest Expenses	$6,323
Total Operating Expenses	$14,388

Total Standing Charges	$21,824
TOTAL EXPENSES	$42,535
Profit/Loss for tax purposes	$-20,350
Plantation Revaluation Increase	$471,000
Net Surplus for Year	$450,650

Operating Revenue included $21,480 (net) of carbon credit sales. Plantation increased by $471,000 this year. Operating expenses included legal fees of $1,625 which was $1,025 over budget due to extra legal costs for completing the MIS licence. Standing charges included plantations insurance, this was higher than budgeted due to growth in the volume of the Roger Dickie NZ estate and also due to the fact that New Zealand registered forest consultants have changed their discount rated used from 7% to 6.5%.

Balance Sheet:

Summary Balance Sheet as at the 28th February 2017	
Current Assets	$15,934
Non Current Assets	$6,789,426
Total Assets	$6,805,360
Current Liabilities	$683
Total Liabilities	$683
Net Assets	$6,804,677

Net assets have increased from $6,354,028 to $6,804,677. This is an increase of $450,649.

Changes in Equity:

Total equity as at the 1st of March 2017 was $6,804,678. This includes $2,018,811 from capital accounts, $4,785,867 of retained earnings. This is an increase of $450,650 from last year.

Cashflow Statement:

Summary Cashflow Statement for the year ending 28th February 2017	
Cash Flow from Operation Activities	
Cash Provided	$22,486
Cash Applied	$42,614
Net cash outflow from operation expenses	$-20,128
Cash flow from Financing Activities	
Cash provided	$
Net cash inflow from financing activities	$
Net decrease in cash held	$-20,129
Cash at start of the year	$34,190
Cash at end of the year	$14,061

Compared to last year, cashflow has fallen due to increased expenses in the 2017 financial year. Increased expenses included, but is not limited to, management fees, legal fees, insurance, admin fees, bank fees, meeting costs, ETS, statutory supervisor, valuation and weed and pest control.

6. Fees

The following Fees were charged to the Partnership:

	Feb-17	Feb-16	Budget
	$	$	$
Accountancy Fees	$2,695	$2,675	$2,695
Management Fees	$4,320	$4,150	$4,320
Audit Fees	$1,575	$1,575	$1,575
Bank Fees	$94	$82	$90
Statutory Supervisor	$1,613	$1,325	$1,250

Stone House Forest Partnership had total fees of $27,459 which equates to 0.004% of total scheme property.

There have been no significant fees charged after the balance date.

Any change in the fees is first approved by partners of the scheme by way of adopting the annual budget.

7. Scheme property

A description of—

(a) The scheme property is 339ha in the Hastings District.

8. Changes to persons involved in the scheme

Any change during the Year Ended 28 February 2017.

(a) The manager	*No change*
(b) The directors of the manager	*No change*
(c) Key personnel of the manager ***key personnel**, in relation to the manager, means—* *(a) The executive directors of the manager; and* *(b) Those senior managers of the manager who perform duties in connection with the scheme.*	*No change*
(d) The supervisor or any of its directors	*There has been no change to the Supervisor.* *The following changes to the Supervisor's directors have occurred since 1 April 2016:* Resignation of Timothy James SHAW Appointment of Bryon David CONNOR.
(e) Any administration manager or investment manager of the scheme	*No change*

(f) The securities registrar, custodian, or auditor of the scheme	Covenant Trustee Services Limited have been appointed Custodian of the land owned by the Partnership.

9. How to find further information

All documents can be obtained free of charge from the Manager within 15 days of request. The information can also be found at the following email Link :

www.companiesoffice.govt.nz/disclose.

10. Contact details and complaints

1.

(a) The manager	Roger Dickie (N.Z.) Limited PO Box 43, Waverley 06 346 5329
(b) The supervisor	Covenant Trustee Services Limited PO Box 4243, Shortland Street, Auckland 0800 268 362
(c) The securities registrar	Roger Dickie (N.Z.) Limited PO Box 43, Waverley 06 346 5329
(d) 1 or more employees or agents of the manager to whom queries or complaints about the managed investment products or the offer can be made.	William Dickie Compliance Officer 06 346 5329 Richard Bourne Marketing Manager 06 346 5329 PO Box 43, Waverley, 4544

2.
Any complaints about the managed investment scheme can be made to the manager, supervisor or to Financial Disputes Resolution.

Financial Disputes Resolution: Freephone 0508 337 337
Complaints can be made via their online complaint form.
The Financial Dispute Resolution will not charge a fee to any complainant to investigate or resolve a complaint.

http://www.fdr.org.nz/making-complaint/make-complaint/make-complaint-line