Forest Partnership Report

04 April 2018

Hello,

Its been another busy and successful year for the forestry sector. Demand for New Zealand radiata has remained strong and consistent throughout the year. This has seen continued high prices at wharf gate and local mills. On the growing front, we had a dry start to the summer but plenty of rain in the latter part. FMNZ our forest managers report good growth in all of our forests. The recent rain events on the East Coast did little damage to any of our forests, this contrasted with the substantial slipping and washouts on neighbouring grassland properties.

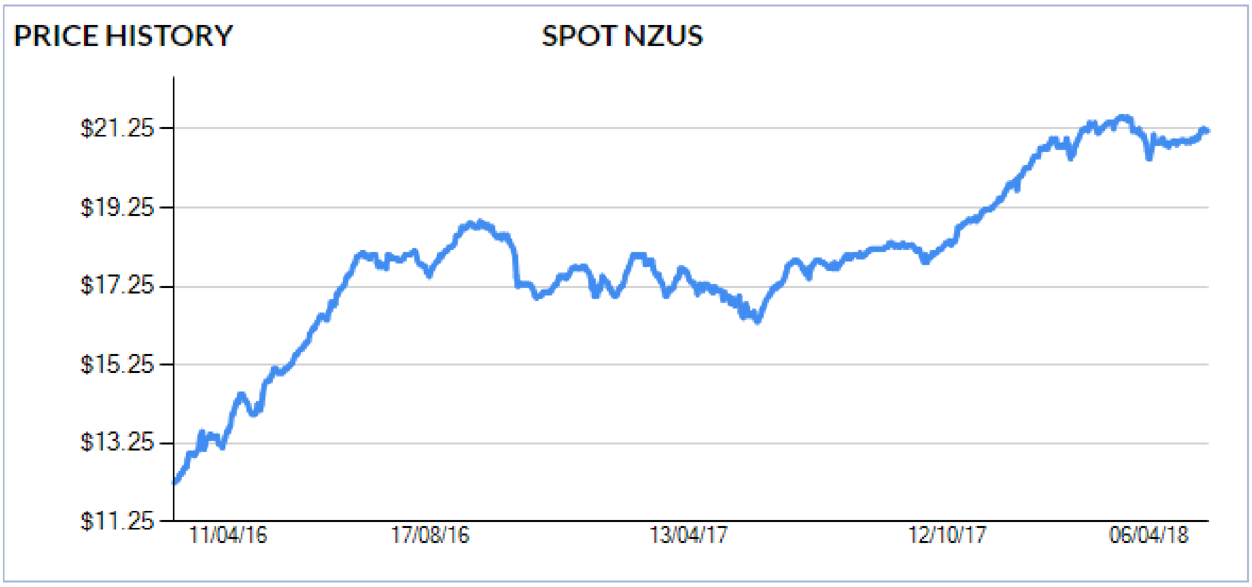
More information is being dispersed by the Government about their intentions to plant 1 billion trees or 100 million per year (ie 100,000 ha per year). Most of you will have realised that there is quite a bit of political speak in this figure as half of it (50,000 ha per year) is replanting of existing forests, almost all of which would have taken place anyway.

FMNZ have been very busy as more of our forests move into the harvesting phase and a number of our forests have begun road lining (making new roads for harvest) and preparing for their main harvest in a year or two. The growing harvest volumes have put a real strain on forest harvest and transport infrastructure and as you can expect this has unfortunately put upward pressure on forest costs. We know that FMNZ are doing their best to secure the services of good reliable contractors with a credible track record, in return we offer those contractors longevity of work which allows them to stabilise their own crew arrangements.

Carbon Update

You will recall that last year at the AGMs we approved resolutions to sell around 50% of your forests liability free NZU's. The reasoning behind this was to lock in the higher NZU prices that the market has reached and also guarantee funds were in place to finance forests through to harvest. I am happy to report that we have recently completed the sale of these Liability Free NZUs. As discussed the market for these units is very thin, when the Forest Managers sell even small parcels of NZUs (10,000 units) it can cause a fluctuation in the price. The units were sold in 37 different transactions to seven different buyers over six months. We have been selling into a rising NZU market and achieved an average price of $18.37 for your units.

The money from the sale of these units is held in the BNZ client funds (where the funds were held that we had been using to pay for our insurance each year) Your budget shows an amount for NZU income coming in in March and out in April. This is 35% of the total sale amount, 33% (the highest tax rate) will be paid out to partners to cover their share of the profit from your partnership this year. It is anticipated that this payment will be paid out to partners in the next few weeks.



Log Markets

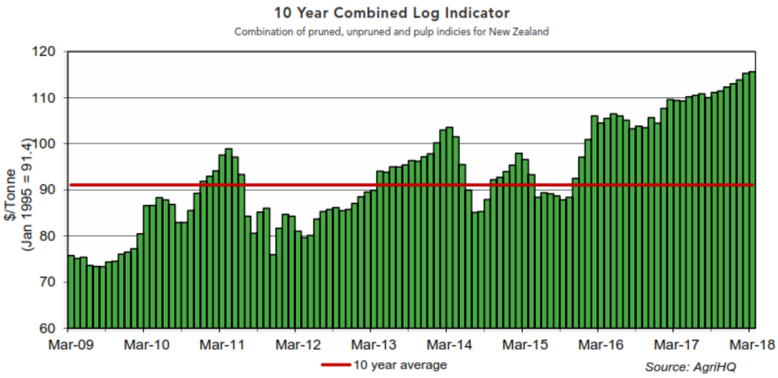
I think AgriHQ summed up the export market best at the moment, when they stated that 2018 is off to a flying start.

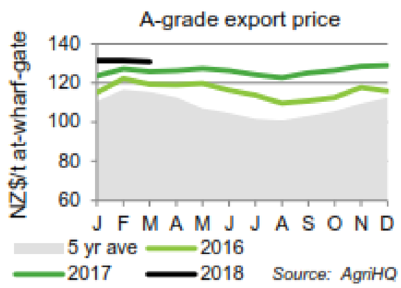
The country shipped a record 18.8 million cubic metres of softwood logs overseas in 2017, up 18 percent on 2016, with exports to China jumping 29 percent and accounting for three-quarters of the total.

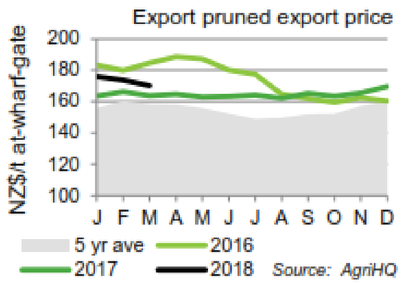
This is on the back of the Chinese Government clamping down on harvesting its own forests. It's also good news in India, Japan and South Korea when volumes are also up substantially. This all bodes well for the coming year.

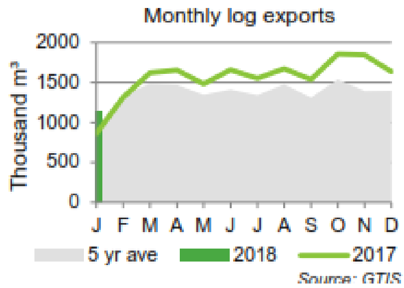
As the ten year combined log indicator graph shows the increased log prices are certainly welcomed as we begin the main thrust of our forest harvest.

Domestically, our local suppliers are coming to terms with the higher log prices, we've seen some mills cut back labour to save costs and other's invest in further automation to remain competitive against the export markets.









Insurance

As our forests grow in value, so does our insurance premium. We met senior representatives of our forest insurance underwriters from Germany last month. They reported that our track record is reasonable from their point of view and there will not be an increase in the rate of insurance this year. This is on the proviso that we do not have to make any more claims before renewal in September.

As you were aware we had a wind damage claim in our forest when Cyclone Cook came through the East Coast last year. This has all been processed and settled with the Insurer, there was a small amount of timber salvageable and the remaining damaged areas (around 29.5 ha in 11 forests) was paid out in full. The overall wind damage was very minor and Olsens in their valuations commented that it will have no effect on yields of the forests moving forwards.

Fire Levy

From 1st of July 2017 the Government is combining nearly all organisations (about 40 entities) with fire fighting and fire control responsibilities into a single organisation for better efficiencies. This is likely to have an effect for us as foresters. Historically we have paid a small annual fire levy, with the main components of fire fighting cover in our district council rates. Now Fire and Emergency New Zealand (FENZ) is allocating that charge on insured property - i.e. the more you insure the more fire fighting levy you will pay. The forestry sector is contesting these increases and new levies.

Napier-Wairoa Rail line

The line has been unused since storms washed out the section north of Wairoa in 2012. Since 2016 there has been a plan in place to re-establish the railway from Wairoa south - this could be of benefit to our forests in the region if the costs are competitive.

In the middle of February KiwiRail confirmed $5 million in funding from the regional development announcement. Contractors have now started cutting back overgrown vegetation and will then move on to drains and culverts.

We understand one of our private overseas investors is part of a small consortium planning to operate the line. The first log train is expected to run by the end of the year. At the end of the day price will be the factor that dictates what transport method we use.

Harvesting

It was great to get so many of you to our conference and out to a harvesting site to see firsthand what happens to get your trees from the forest to the end user. Our forest managers (FMNZ) have been working incredibly hard to find and retain good quality harvest contractors to take on our harvest. At the moment we have 11 crews working for our forest managers and more about to start towards the end of winter. Certainly the continuity of work that our group of forest provides is a big carrot to attract the good contractors. I would reiterate here that the Harvest Plan and timing on the harvest is just estimated in your budget. Weather, and a number of other factors, play a big part in determining when the work will start.

Aerial View of Tangoio Forest

Valuations

We have recently received the annual forestry valuations from PF Olsens, once again the news is good. Prices for all log grades in both export and domestic markets have increased over the past year. This coupled with the increase in volume of our trees as they grow has seen the average value across the estate increase by 23.5%. This varies from forest to forest.

Conference

As I mentioned in my last report, we hosted our 5th Conference on Harvesting and Beyond. The feedback has been very positive. For those that missed the presentations they are all available on our website.

Power Corridors

As previously discussed, Unison Network are seeking to recover the cost of repairing their lines following storm events which blew trees over their lines and caused power outages.

They have now served legal documents to us to recover these costs. We have notified our insurers of their claim. The insurance company are seeking a legal opinion which will enable them to decide whether to pay the damage out under the Public Liability Policy or whether to defend the charges brought against us by Unison.

The legal opinion has recently arrived and while we have not had much opportunity to study the document closely, the opinion is suggesting the case would have a 50/50 chance of success and any decision would most likely set a precedent if it were to go to court. On this basis, the insurance company may well decide the most pragmatic way forward is to pay out the damages.

The faller in Maxwell Forest - he's due for retirement at the end of the month

If they choose to take this course of action, it still leaves the unresolved issues surrounding the powerline corridors and we will continue to work with the Forest Owners Association and Regional Forestry Boards such as Hawkes Bay Forest Group to effect change via Government.

Alternatively, the insurance company may decide to go to court. This would certainly help to clarify the problematic relationship that currently exists between foresters and lines companies. We shall keep you advised.

New Staff

We welcomed two new staff members to our office in recent months. Dot joins us in the farming administration looking after the farms, and Ingrid who is involved directly with the harvesting and administration of your partnerships.

Secondary Market

There are active buyers and sellers in our secondary market. If you are looking to buy or sell, please contact the office to see what is available. There are also shares available in our dairy farms and sheep and beef farm.

Regards

Roger Dickie

FMNZ
MAXIMISING YOUR FOREST VALUE

WINDSOR
Forest Partnership

Forest Managers Report March 2018

The past six months has seen a continuation of unpredictable weather patterns. Over the summer months, Taranaki/Whanganui had a drought while Hawkes Bay was the recipient of regular rainfall. January 2018 was the hottest month on record in New Zealand with most areas experiencing higher than usual temperatures over the spring and summer months. Cyclones Fehi, Gita and Hola have crossed the country and fortunately, caused no damage to any of the forests we manage.

The bi-annual forest health inspection, formerly organised by the New Zealand Forest Owners Association, will no longer be continued. The programme, now funded by the Forest Growers Levy, has changed to a risk based focus. For now, this means the majority of the biosecurity monitoring is transferred to urban areas as the model shows it is the urban areas where the main biosecurity risk lies. As the risk model is developed, this approach may be re-evaluated in the future.

Some companies have chosen to continue with the forest health monitoring however, they now bear the full cost of this work. They have decided to continue with the forest inspections to help enable them to meet their obligations under the FSC (Forest Health Stewardship) certification and because they are not convinced the urban based approach is appropriate for their estates.

Given that our staff visit the forest regularly and we are not FSC certified, there is no real need to continue with the surveillance programme. Our staff quickly identify forest health issues and if they are uncertain as to the cause of ill thrift, send foliage samples away for analysis. From our point of view, it would be difficult to justify the ongoing cost of forest health surveillance.

Forest health at Windsor is generally excellent. There is very little sign of RNC around the forest at present and the stands along the edge of Kanakanaia Road which have previously been affected are recovering well with plenty of new growth visible.

Due to delays in the Lidar data capture last year, the plot imputation was not completed by the end of the financial year as planned and we have had to carry approximately 75% of the amount budgeted for the plot imputation into this financial year. We are hoping the data will be made available to us within the next few weeks. Once the Lidar/plot imputation information becomes available, we have much of the information required to commence harvest planning.

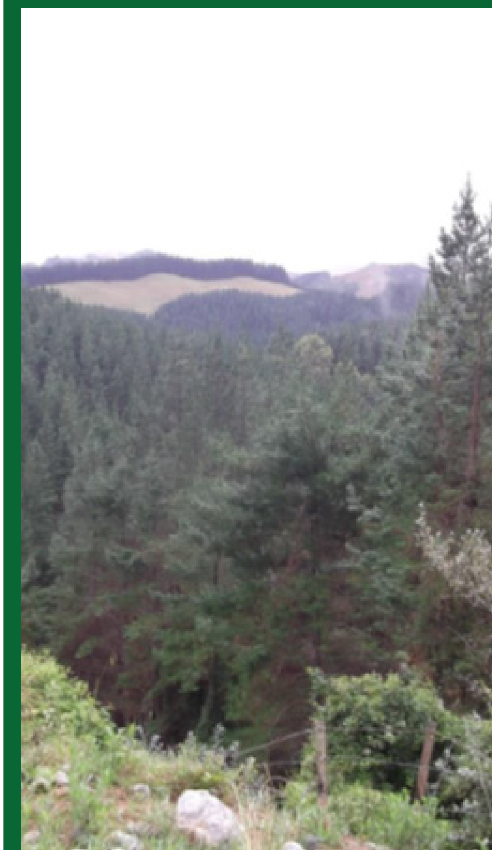
Much of the tracking remains in reasonable condition however, there are a few places where we need a bulldozer to clear away slips. We had hoped to have this work completed by the end of the financial year however have had to carry it over to March due to weather conditions.

The FMA plotting was completed as scheduled. MPI have given us the site specific lookup tables prepared from the data collected and we have used these tables to prepare a mandatory emissions return as 2017 was the last year of the second commitment period. We are now waiting for the units claimed to be allocated.

The culvert heads and tails were sprayed in January to stop the blackberry blocking the culverts. At the same time we sprayed the worst of the blackberry along the track edges.

We have also carried $2,000 over from last year for fencing repairs to the Hood boundary fence. We understand the neighbour still wishes to proceed with the work so will continue to follow

Wairoa/Napier rail line



Looking down from Kanakanaia Road

up to try and ascertain when the repairs will be effected. The fence is tired however still stockproof and if possible we would like to keep patching the fence until the trees have been harvested, at which point it would be replaced.

During our last visit to the forest we noticed the flood gates had been repaired. We also noticed there were some cattle in the boundary set back and assume they entered the property via the floodgates and are now prisoners! If they remain in the boundary setback where all the feed is the neighbour should be able to easily locate them and return them to their rightful place.

There is a eucalyptus tree growing under the powerlines in the boundary setback of Stand four. It is close to touching the wires and we have advised Eastland Network of this as they will need to come and trim or remove the tree.

Our possum control maintenance work was carried out in February to ensure the possum population is kept down. We were starting to see signs of possum activity, especially on the bark of trees where they have been marking territory.

At the beginning of September 2017, NZUs were worth $18.25. By the end of the month they had fallen below $18. The price steadily increased and by mid February 2018, the market recorded a new record high of $21.55. At the end of February, the NZU price was $20.90.

We have continued to sell small tranches of units as required to fund operating expenses. On behalf of Windsor Forest, on 26/10/2017 we sold 1,800 NZUs for $18.86.

We have now completed the sell down of 50% of the liability free NZUs. The total number of these units sold on behalf of Windsor Forest was 25,463. The average price achieved was $18.65 and post commission $18.37.

This leaves Windsor Forest holding 23,663 liability free units, 1,920 pre 1990 units and 38,587 units that do carry liability.

The change of government has brought good news for the future of the Napier/Wairoa rail. Shane Jones has committed $5 million from the Regional Development/Provincial Growth Fund to be spent on reinstatement and maintenance of the line. Kiwirail expect to be able to open the line before Christmas this year.

Initially the service being offered will be a weekend service from Wairoa to Napier Port comprising of four trains, each carrying 500 tonnes which gives an annual capacity of around 90,000 tonnes per annum. If the service is well supported it is likely that additional rolling stock will be purchased to increase train movements to the port.

Eastland Port

HBRC (Hawkes Bay Regional Council) and Napier Port will be involved in selling the service to forest owners as well as managing the discharge of the trains at the port. If they are able to get uptake from the forest owners, the service will initially take 3,200 logging trucks off the road each year. Uptake from forest owners will largely depend upon the cost of the service in comparison to the cost of trucking the logs to port. The shortfall in logging trucks may also prove to be a factor as the rail will give the ability for a quick turnaround of logs from the skid sites.

The Provincial growth Fund has also committed $2.3 million to the redevelopment of the Gisborne inner harbour to facilitate the expansion of Eastland Port. With 2.9m tonnes of logs per annum currently being shipped through Eastland, in order to cope with the 5m tonnes forecast by 2024, they need to be able to load two ships at the same time. The grant from the Fund will allow them to reclaim approximately 1.5 hectares of land between the wharf and the seawall which will provide the additional space required to load two vessels at once.

In the wake of the news about JNL in Gisborne laying 97 staff off work at their plywood plant, it was good news to hear the Prime Sawmill in Gisborne has now been sold and will be re-opened. The purchaser is Far East Sawmills (FES) who initially plan to process 60,000 cu metres of timber per annum and employ 50 to 60 staff.

It is the intention to invest a further $9 million in the mill to upgrade the ageing technology and improve efficiencies. FES aim to run multiple shifts and eventually employ up to 100 staff. The company owns the Tregoweth Sawmill in Te Kuiti and intend to produce the same product mix at the Prime site which is high value, appearance grade lumber for the European and US market. The company is also looking to partner with secondary processors who can incorporate their operations into or adjacent to the mill site.

There is already a small wood engineering business operating from the site which currently employs 15 staff, who is looking to increase production. The Eastland Community Trust who retain ownership of the site are working with Activate Tairawhiti, a community group who are looking to establish the site as a wood processing centre of excellence.

The FES operation is scheduled to get underway in April. It will be good to have a domestic mill operating in Gisborne again.

Steve Bell
Forest Manager

PF Olsen Ltd
PO Box 1127 | Rotorua 3040 | New Zealand
P: 64 7 921 1010 | F: 64 7 921 1020
E: info@pfolsen.com | www.pfolsen.com

20 March 2018

Silks Audit Chartered Accountants
PO Box 7144
Wanganui 4541

Windsor Forest - Tree crop valuation

As requested, we have assessed the fair value of the tree crop assets at Windsor forest owned by Windsor Forest Partnership. The purpose of this valuation is for reporting in the owner's annual accounts. This valuation of the tree crop meets the NZ IAS 41 accounting standard.

The tree crop market value is estimated as at 28 February 2018 at:

$6,253, 000 plus GST (if any)

The current productive net stocked area is estimated at 341.4 hectares.

This value estimate excludes the value of the land and the improvements thereon, other than the trees. The value estimate does not include the contingent tax liability on the income arising from the sale of the trees, or the logs at maturity. Also excluded are costs and revenues associated with subsequent crops.

Valuation methodology
The market value of the tree crop is assessed by discounting a prospective purchaser's future costs and revenues at a discount rate of 6.5%. The discount rate is based on analyses of recent transactions in New Zealand, and therefore reflects the recent market for forests. Future costs and revenues are expressed in real (2018) NZ dollar terms, exclusive of GST.

The methodology adopted is described in the New Zealand Institute of Forestry (NZIF) Forest Valuation Standards (May 1999). The valuation report presented here is a brief outline of the method adopted and the assumptions made. It does not comply with all disclosure requirements contained in these standards. The reader is referred to the full valuation report entitled "Roger Dickie (NZ) Ltd – Tree Crop Valuation – March 2018" for a complete description of the methodology and assumptions.

Key inputs
Net stocked areas and forest condition are based on current best estimates as provided by the forest manager, Forest Management NZ Ltd (FMNZ). PF Olsen inspected a selection of forests and found that the forest information provided by FMNZ gave a fair representation of the tree crop growing in these forests.

Future yields are projected assuming current best practice management. Projected yields are based on measured starting points where data allows. Measurement data has been supplied by FMNZ. These data have been collected using industry standard methods and protocols.

Future operational costs are based on current industry standards, and have been benchmarked against contract rates prevalent over the past year. Log prices are based on the average of the most recent three years to February 2018, as achieved at the ports in Gisborne, Napier, Wellington and Port Chalmers. No real price increase is assumed.

Tree crop value change analysis

As part of this valuation, we have examined the impact of changes in the forest description and valuation assumptions used to assess the tree crop value relative to the value estimated last year. This is accomplished by calculating the marginal contribution to the total change in tree crop value from updating each of the key factors in sequence.

Table 1: Tree crop value changes since last year

Change item	Tree Crop Value (000's)
Tree crop value last year	4,710
Update area	4,595
Advance date one year	5,045
Update yields	5,045
Update costs	4,461
Update log prices	6,253
Update discount rate	6,253
Tree crop value this year	**6,253**

Area changes, if any, are mainly the result of harvesting and minor remapping of the stocked area during the year, as advised by FMNZ.

Table 2: Reasons for area change since last year

Area change (ha)	Reason
-4.2	Area omitted in error 2017

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

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

The costs for administration and insurance have risen this year. The harvest-related costs of logging and road construction have increased over the past year, as the costs of labour and capital have gone up. In addition, demand for harvesting services has increased.

Prices for all radiata sawlogs have increased this year, while prices for pulp grades have remained relatively flat.

The discount rate applied in this valuation is unchanged from last year. Evidence from recent forest transactions suggest that purchasers are continuing to apply similar discount rates in deriving tree crop values.

Harvest revenue

Based on the assumptions adopted for the purpose of this valuation, the owner of Windsor forest is projected to receive a total net stumpage revenue of approximately $ 12,671,000 in year 2025.

This projected stumpage revenue is expressed in 2018 NZ dollar terms, and based on the projected yields, costs and log prices assumed in this valuation. The harvest year is based on a weighted average date of maturity for the forest. Harvest operations may commence sooner than, and last beyond, the year shown above.

Yours sincerely
PF OLSEN LIMITED

JEFF SCHNELL
Registered Forestry Consultant (NZIF)

ERIN JEFFREY
Registered Forestry Consultant (NZIF)

Disclaimer

This valuation was commissioned by Roger Dickie (NZ) Ltd for the purpose of reporting in the individual partnership, or owner, accounts. The valuation is not suitable for sale and purchase.

The tree crop values calculated within this report are based on our assessment of current costs and future revenues. This assessment of costs and revenues is not a promise or guarantee by PF Olsen Limited that these will be realised. No promise or warranty is given pertaining to the accuracy or completeness of information supplied by Roger Dickie (NZ) Ltd, Forest Management NZ Ltd, or by third parties, except to the extent that this has been validated by PF Olsen Limited.

This report is only for use by the entity that commissioned it and solely for the purposes stated above. PF Olsen Limited, and its employees, shall have no liability to any other person or entity in respect of this report, or for its use other than for the stated purpose. PF Olsen Limited and its employees accept no liability for indirect or consequential losses or damages arising from the use of this report under any circumstances.

PF Olsen Limited is an independent forestry management and consulting company. Our company relationship with Roger Dickie (NZ) Ltd is one of providing forestry services and advice on a fee and re-imbursement of costs basis. The owners or employees of PF Olsen Limited have no interest in, or relationship with Roger Dickie (NZ) Ltd, Forest Management NZ Ltd, or the Partnership, apart from that listed above.

Windsor Forest Partnership

Financial Statements
for the Year Ended 28 February 2018

Contents *Page*

MARKHAMS WAVERLEY LIMITED
CHARTERED ACCOUNTANTS
WAVERLEY

Windsor Forest Partnership

Statement of Total Profit/Loss & Other Comprehensive Income
For the Year Ended 28 February 2018

	Feb 2018 $	*Feb 2017* $	*Budget* $
Operating Revenue			
Interest Received	3,815	812	60
Carbon Credit Sales (Net)	526,598	34,038	55,500
	530,413	34,850	55,560
Forest Expenses			
Fire Control	265	261	300
Management & Supervision Fees	8,766	7,498	11,405
FMA Plotting	9,032	-	8,400
Plot Imputation	1,141	-	1,500
	19,204	7,759	21,605
Operating Expenses			
Accountancy Fees	2,735	2,695	2,735
Administration	4,440	4,320	4,440
Audit Fees	1,575	1,575	1,575
Bank Fees	87	99	60
Compliance	2,686	-	2,239
Depreciation for Period	455	483	455
Emission Trading Scheme	569	240	300
Legal Expenses	95	1,625	600
Meeting Costs	362	392	350
Repairs & Maintenance - Fences	75	-	2,075
Repairs & Maintenance - Tracks & Dams	5,125	288	5,350
Statutory Supervisor	1,437	1,196	1,500
Subscriptions - Forest Health, Research, Kyoto	622	54	470
Sundry Expenses	302	302	2,223
Valuation - Forest	464	375	580
Weed & Pest Control	1,836	-	3,100
	22,865	13,644	28,052
Standing Charges			
Insurance - Public Liability	530	416	488
Insurance - Plantations	15,991	15,074	15,332
Rates	6,851	7,070	7,212
	23,373	22,560	23,032
Total Expenses	65,442	43,963	72,689
Profit/(Loss) for Tax Purposes	464,971	(9,113)	(17,129)
Fair Value Movement -			
Plantation Revaluation Increase (Decrease)	1,543,000	602,000	-
Net Surplus/(Deficit)for Year	2,007,971	592,887	(17,129)
Comprehensive Income	-	-	-
Total Comprehensive Income	$2,007,971	$592,887	($17,129)

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

Windsor Forest Partnership

Statement of Changes in Equity
For the Year Ended 28 February 2018

	Note	Capital Accounts	Retained Earnings	2018 Total
Equity as at 1 March 2017		2,568,264	2,612,687	5,180,951
Total Comprehensive Income		464,971	1,543,000	2,007,971
Total Contributions From Partners		(1,142)	-	(1,142)
Total Transactions with Owners		(1,142)	-	(1,142)
Equity as at 28 February 2018		3,032,093	4,155,687	7,187,780

	Capital Accounts	Retained Earnings	2017 Total
Equity as at 1 March 2016	2,568,264	2,019,800	4,588,064
Total Comprehensive Income	0	592,887	592,887
Total Contributions From Partners	0	-	0
Total Transactions with Owners	0	-	0
Equity as at 28 February 2017	2,568,263	2,612,687	5,180,950

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

Windsor Forest Partnership

Statement of Financial Position
As at 28 February 2018

	Note	Feb 2018 $	Feb 2017 $
Current Assets			
Calls in Arrears		15	15
Accounts Receivable		33,123	-
Cash and Cash Equivalents	4	446,076	18,474
Goods & Services Tax		4,943	2,164
		484,157	20,653
Non Current Assets			
Plantations	5		
Plantation Value		4,710,000	4,108,000
Revaluation for Year		1,543,000	602,000
	6	6,253,000	4,710,000
Property, Plant and Equipment	7		
Land		444,000	444,000
Land Improvements		7,116	7,571
		451,116	451,571
Total Assets		7,188,273	5,182,224
Less Liabilities			
Current Liabilities			
Accounts Payable		-	780
Calls in Advance		494	494
		494	1,273
Total Net Assets		$7,187,780	$5,180,951
Represented by:			
Equity			
Capital Contributions per Schedule		3,032,093	2,568,264
Retained Earnings		4,155,687	2,612,687
		$7,187,780	$5,180,951

_________________ Partner

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

Windsor Forest Partnership

Cashflow Statement
For the Year Ended 28 February 2018

	Note	Feb 2018 $	Feb 2017 $
Cash Flows from Operating Activities			
Cash was provided from:			
Interest Received		3,815	812
Operating Income		493,474	34,038
Goods & Services Tax		-	754
		497,290	35,604
Cash was applied to:			
Operating Expenses		65,766	50,839
Goods & Services Tax		2,779	-
		68,545	50,839
Net Cash inflow (outflow) from operating activities	8	428,744	(15,235)
Cash Flows from Financing Activities			
Cash was provided from:			
Calls on Participatory Securities		-	(150)
Payouts to Partners		(1,142)	-
Net cash inflow (outflow) from financing activities	8	(1,142)	(150)
Net increase (decrease) in cash held		427,602	(15,386)
Cash at Start of Year		18,474	33,859
Cash at End of Year		$446,076	$18,473

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

Windsor Forest Partnership

Notes to the Financial Statements
For the Year Ended 28 February 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

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

The financial statements of Windsor 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 22 June 2017.

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 Windsor Forest Partnership functional and presentational currency.

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

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

ii The forest plantations are recorded at fair value less estimated point of sale costs. Any gains or losses in the fair value of the forest are recorded in the Statement of Financial Performance.

iii Windsor Forest Partnership has voluntarily entered the Emission Trading Scheme ("ETS") in relation to 341 ha of plantation forest. Emission units are received from, or transferred to the government in respect of carbon stock changes in respect of this land. Carbon stocks are calculated in accordance with the climate change (forestry sector) regulations 2008. Some units received will have to be returned to the government upon harvest of the forest stock. As a result, units received are held at a nominal value and the units held are disclosed in the notes to the financial statements. Unit values will not be recorded in the income statement unless it is certain that the units will not be required to meet harvest obligations.

iv Revenue on sales of goods is recognised when they are delivered and ready for use by the customer.

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

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

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

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

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

Major Depreciation periods are:
Land Improvements - average 33 years

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

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

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

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

2. **AUDIT**

These financial statements have been produced subject to audit, please refer to Auditor's Report.

3. **BUSINESS**

The principal activity of Windsor Forest Partnership is that of Afforestation. The partnership grows pinus radiata for the purpose of selling the harvest between 2019 and 2028.

	Feb 2018	Feb 2017
4. CASH AND CASH EQUIVALENTS		
B N Z Current Account	10,259	3,913
B N Z Deposit - Investment Fund	435,817	14,560
	$446,076	$18,474

Deposit - Investment Fund

The deposit is available to fund any future obligation that Windsor Forest Partnership may assume under its arrangement with other partnerships in the Roger Dickie Group Investment Fund. Windsor 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 Gisborne District. The Net Stocked Area of approximately 341 hectares was planted in 1991-96 (107ha) & 2000 (234ha). The forest is a consumable immature biological asset.

Reconciliation of Net Stocked Area	Feb 2018	Feb 2017
Opening Net Stocked Area (Approx.)	340	340
Less Area Harvested	-	-
Less Windthrow & Area Recalculation	1	-
Closing Net Stocked Area (Approx.)	341	340

6. PLANTATION REVALUATIONS

Valuer

The plantation was valued as at 28 February 2018 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.

Windsor Forest Partnership

Notes to the Financial Statements
For the Year Ended 28 February 2018

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 2017) as reported by MPI. They range from $54 to $178 per m3 depending on grade. Log prices for other species are taken from recent industry publications and other sources. A significant increase in this input would increase the fair value of the plantation.

Projected Costs

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

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

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

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

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

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

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

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

Discount Rate

The discount rate used in the estimate of the tree crop market value is important. The value estimate of young immature forests in particular is very sensitive to the choice of discount rate. The discount rate used represents a real rate of return, which is over and above inflation. Rates quoted by financial institutions are generally nominal rates, which include inflation. The discount rate selected of 6.5% (2017 - 6.5%) (the equivalent pre-tax discount rate is 8.9%) is based on rates derived from actual transactions in the last three years applied to post-tax cash flows. A significant increase in this input would decrease the fair value of the plantation.

Impact of the Emissions Trading Scheme

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

7. PROPERTY, PLANT AND EQUIPMENT

	Opening Value	Additions/ Deletions	Closing Value
Land and Improvements - 2017 Year			
Cost - March 1999	465,580	-	465,580
Accumulated Depreciation	(13,526)	(483)	(14,009)
Net Book Value	452,054	(483)	451,571
Land and Improvements - 2018 Year			
Cost - March 1999	465,580	-	465,580
Accumulated Depreciation	(14,009)	(455)	(14,464)
Net Book Value	451,571	(455)	451,116

The latest capital value set by Quotable Value for rating purposes in July 2017 as $1,270,000

8. CASH FLOW RECONCILIATION

	Feb 2018	Feb 2017
Reconciliation of Cash Flows from Operating Activities.		
Reported Surplus for Year	2,007,971	592,887
Non Cash Item - Depreciation	455	483
Non Cash Item - Forest Revaluation	(1,543,000)	(602,000)
	465,426	(8,630)
Movements in Working Capital:		
(Increase)/Decrease in Accounts Receivable	(33,123)	-
Increase/(Decrease) in Accounts Payable	(780)	(7,359)
(Increase)/Decrease in GST	(2,779)	754
	(36,682)	(6,605)
Net Cash Flow from Operating Activities	$428,744	($15,235)
Reconciliation of Cash Flows from Financing Activities		
(Increase)/Decrease in Calls in Arrears	-	5
Increase/(Decrease) in Calls in Advance	-	(155)
Payouts to Partners	(1,142)	-
Net Cash Flow from Financing Activities	($1,142)	($150)

9. FINANCIAL INSTRUMENTS

Interest Rate Risk

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

Credit Risk

Financial Instruments which potentially subject the partnership to credit risk principally consist of bank balances, deposits and accounts receivable as set out in the Statement of Financial Position. The amounts set out are the maximum exposures and are net of any recognised provision for losses on these financial instruments. No collateral is held for any of these amounts.

Concentration of Credit Risk

The partnership is not exposed to any concentration of credit risk.

Liquidity Risk

Liquidity risk represents the Partnership's ability to meet its financial obligations on time. For the most part the partnership generates sufficient cash flows from its Partners annual capital contribution to make timely payments.

Currency Risk

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

Price Rate Risk

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

Financial Risk Strategy

The Partnership risk management strategy is to use 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 after balance date.

11. EMISSIONS TRADING SCHEME

Windsor Forest Trustee Limited has replaced Corporate Trust Limited as trustee holding the Partnership land as registered proprietor in trust for the Partnership. Windsor Forest Trustee Limited holds 64,170 NZUs (2017 - 83,338) on the New Zealand Emission Unit Register on behalf of the partners. The Partnership elects to record these at their Nominal Amount ($0). The Fair Value of these NZUs based on prices offered by brokers as at 28 February 2018 is $1,342,436 (2017 - $1,479,249)

During the year, 28,763 NZU's were sold and 9,595 N ZU's were allocated. Of the 64,170 NZU Units held at balance date, 64,170 are able to be sold without liability for future repurchase on harvest.

	Feb 2018 No.	***Feb 2017*** No.
Opening Units Held	83,338	75,962
Emissions Trading Units Sold	(28,763)	(2,480)
Emissions Trading Units Surrendered	-	-
Emissions Trading Units Allocation	9,595	9,856
Closing Units Held	64,170	83,338

12. CAPITAL COMMITMENTS & OPERATING LEASES

There are no capital commitments, biological asset commitments nor operating leases as at balance date (2017 nil).

13. CONTINGENT ASSETS & CONTINGENT LIABILITIES

There were no contingent assets nor contingent liabilities as at balance date (2017 nil).

14. RELATED PARTIES

The partnership paid administration fees of $4,440 (2017 - $4,320) and management fees and forest expenses of $22,652 (2017 - $9,531) 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 $0 (2017 - $780). 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

Windsor Forest Partnership is one of approximately 90 forests administered by Roger Dickie (NZ) Limited using a common forest manager, Forest Management New Zealand (FMNZ) and a common valuer PF Olsen Limited. With a forestry estate of this size PF Olsen is able to carry out rotational checks on selected forests to validate the accuracy of forest data that FMNZ provides for the purposes of the forest valuation.

Due to the nature of a growing forest it is not practical or economic to be physically counted each year. The treecrop valuation is how the underlying growing forest is represented in financial terms.

FMNZ has been providing forest management services to the company since inception and has been producing the required data for the forest valuer (PF Olsen). PF Olsen is, a forestry consultant in its own right and qualifies as an expert for financial reporting purposes.

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

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

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

Inspects a subset of forests each year.

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

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

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

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

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

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 27 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.

Windsor Forest Partnership

IRD No 072-765-915

Statement of Changes in Equity

For the Year Ended 28 February 2018

	EQUITY ACCOUNTS						TAX RETURN
	Balance 2017	Share of Profit	Sales Entries	RWT	Payouts	Closing Balance	Share of Tax Profit
Alpe, S G & E E	53,506	9,299	-	(23)	-	62,782	9,299
Asamar Limited	112,105	19,484	-	(48)	-	131,541	19,484
Rathbun, T	53,506	9,299	-	(23)	-	62,782	9,299
Betsy Holdings Limited	53,506	9,299	-	(23)	-	62,782	9,299
Brazier Holdings Limited	107,339	18,656	-	(46)	-	125,949	18,656
Bull, R J	53,506	9,299	-	(23)	-	62,782	9,299
Charleston Investments Limited	28,436	4,942	-	(12)	-	33,367	4,942
Cintam Enterprises Limited	107,011	18,599	-	(46)	-	125,564	18,599
Codyre, G N & M A	35,670	6,200	-	(15)	-	41,855	6,200
Corus, A	26,753	4,650	-	(11)	-	31,391	4,650
Ensor, G S	26,753	4,650	-	(11)	-	31,391	4,650
Germann, C & C	53,506	9,299	-	(23)	-	62,782	9,299
Gruendler, Y	107,011	18,599	-	(46)	-	125,564	18,599
Heatherdean Investments Limited	61,018	10,605	-	(26)	-	71,597	10,605
Hugentobler, P	29,963	5,208	-	(13)	-	35,158	5,208
Johnston, M S	26,753	4,650	-	(11)	-	31,391	4,650
Lavelle, W J	107,011	18,599	-	(46)	-	125,564	18,599
Matuku Forestry Holdings Limited	112,611	19,572	-	(48)	-	132,135	19,572
May, M and May, M C as authorised agents	32,103	5,580	-	(14)	-	37,669	5,580
May, M	26,753	4,650	-	(11)	-	31,391	4,650
Middleton, B E and Legat, N M	53,506	9,299	-	(23)	-	62,782	9,299
Neutze, R J	27,338	4,751	-	(12)	-	32,077	4,751
O'Brien, D J	33,887	5,890	-	(14)	-	39,762	5,890
Ogilvie, K P	107,011	18,599	-	(46)	-	125,564	18,599
Pople, S C	91,323	15,872	-	(39)	-	107,156	15,872
Rainbow Futures Limited	57,044	9,914	-	(24)	-	66,934	9,914
Sablon, J-C	20,525	3,567	-	(9)	-	24,083	3,567
Shaukat, F & R	127,300	22,125	-	(54)	-	149,371	22,125
Sienna Investments Limited	29,621	5,148	-	(13)	-	34,756	5,148
Thomann, J-W	80,258	13,949	-	(34)	-	94,173	13,949
Timms, L R	53,506	9,299	-	(23)	-	62,782	9,299
Timms, P	53,506	9,299	-	(23)	-	62,782	9,299
Unger, B E	-	4,650	26,753	(11)	-	31,391	4,650
Unger, S E (deceased)	26,753	-	(26,753)	-	-	-	-
Wells, A J	59,413	10,326	-	(25)	-	69,713	10,326
Wells, G T	59,413	10,326	-	(25)	-	69,713	10,326
Werner, R E	107,011	18,599	-	(46)	-	125,564	18,599
Wilkinson, D C	62,837	10,921	-	(27)	-	73,731	10,921
William Martin Family Ltd Partnership	267,528	46,497	-	(114)	-	313,910	46,497
Zingel Quail Ridge Limited	35,670	6,200	-	(15)	-	41,855	6,200
Roger Dickie No 27 Limited - see Note 16	-	18,599	-	(46)	-	18,553	18,599
	2,568,264	464,971	-	(1,142)	-	3,032,093	464,971
Retained Earnings	2,612,687	1,543,000	-	-	-	4,155,687	
Total Equity	5,180,951	2,007,971	-	(1,142)	-	7,187,780	

2018 FINANCIAL YEAR IS A PROFIT FOR TAX PURPOSES

PROFIT WILL BE CONFIRMED ONCE AUDITED FINANCIAL STATEMENTS

ARE AVAILABLE EARLY IN JULY 2018

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