

Woodleigh Forest Limited
Financial Statements
for the Year Ended 28 February 2018

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Woodleigh Forest Limited

Client Directory For the Year Ended 28 February 2018

Director

Roger Ralph Dickie
Awatea
State Highway 3
Waverley

Registered Office

87 Weraroa Road
Waverley

Accountants

Markhams Waverley Limited
87 Weraroa Road
Waverley

Auditors

Silks Audit Chartered Accountants Limited
156 Guyton Street
Wanganui

Bankers

Bank of New Zealand
124-126 Victoria Avenue
Wanganui

Solicitors

Horsley Christie
14 Victoria Avenue
Wanganui

Woodleigh Forest Limited

Directors Annual Report For the Year Ended 28 February 2018

The Board of Directors present their Annual Report including financial statements of the Company for the year ended 28 February 2018.

Directors interests:

Director holding office during the year was R R Dickie.

No entries were made into the company's register during the year.

The nature of the company's business is that of Afforestation, and there has been no change during the year

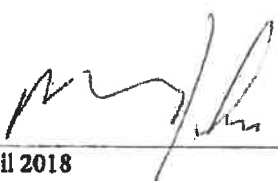
Administration fees of \$4,440 and management fees & forest expenses of \$13,864 have been provided to the company by companies in which R R Dickie, a director, has a controlling interest. These services were provided on normal commercial terms.

There were no company shares acquired or disposed of by directors during the year.

No employees or former employees were paid in excess of \$100,000 in the year

There were no donations made by the company during the year

For and on behalf of the Board



19 April 2018 Director

Woodleigh Forest Limited

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

	<u>Feb 2018</u> \$	<u>Feb 2017</u> \$	<u>Budget</u> \$
<u>Operating Revenue</u>			
Interest Received	21,417	21,633	60
Carbon Credit Sales (Net)	309,325	1,685	-
	<u>330,742</u>	<u>23,318</u>	<u>60</u>
<u>Forest Expenses</u>			
Fire Control	375	261	300
Forest Health and Safety	-	-	75
Management & Supervision Fees	11,071	7,263	10,678
Plot Imputation	2,777	-	8,516
	<u>14,223</u>	<u>7,524</u>	<u>19,569</u>
<u>Operating Expenses</u>			
Accountancy Fees	2,735	2,695	2,735
Administration	4,440	4,320	4,440
Audit Fees	1,850	1,750	1,575
Bank Fees	85	81	60
Compliance	-	-	2,239
Depreciation for Period	154	164	154
Emission Trading Scheme	-	694	-
Legal Expenses	19	23	600
Meeting Costs	362	392	350
Repairs & Maintenance - Fences	255	-	2,500
Repairs & Maintenance - Tracks & Dams	9	-	4,000
Statutory Supervisor	2,000	2,333	1,500
Subscriptions - Forest Health, Research, Kyoto	617	114	470
Sundry Expenses	125	347	2,223
Valuation - Forest	464	375	580
Weed & Pest Control	-	2,690	2,000
	<u>13,114</u>	<u>15,978</u>	<u>25,426</u>
<u>Standing Charges</u>			
Insurance - Public Liability	530	416	488
Insurance - Plantations	16,781	16,116	16,395
Rates	6,802	6,651	6,784
	<u>24,113</u>	<u>23,183</u>	<u>23,667</u>
<u>Total Expenses</u>	<u>51,450</u>	<u>46,686</u>	<u>68,662</u>
<u>Profit/(Loss) for Tax Purposes</u>	279,292	(23,369)	(68,602)
Fair Value Movement -			
Plantation Revaluation Increase (Decrease)	1,377,000	356,000	-
<u>Net Surplus/(Deficit) for Year before Tax</u>	1,656,292	332,631	(68,602)
Less Provision for Taxation	463,762	93,137	-
<u>Net Surplus/(Deficit) for Year</u>	1,192,530	239,494	(68,602)
Other Comprehensive Income	-	-	-
<u>Total Comprehensive Income</u>	<u>\$1,192,530</u>	<u>\$239,494</u>	<u>(\$68,602)</u>

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

Woodleigh Forest Limited

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

	\$	\$	<u>2018</u> \$
	Share Capital	Retained Earnings	Total
Opening Balance 1 March 2017	2,100,000	2,416,619	4,516,620
Comprehensive Income	-	1,192,530	1,192,530
Shares Issued			-
Dividends Paid			-
Transactions with Owners			-
Equity as at 28 February 2018	<u>2,100,000</u>	<u>3,609,149</u>	<u>5,709,150</u>

	\$	\$	<u>2017</u> \$
	Share Capital	Retained Earnings	Total
Opening Balance 1 March 2016	2,100,000	2,177,125	4,277,126
Comprehensive Income	-	239,494	239,494
Shares Issued			-
Dividends Paid			-
Transactions with Owners			-
Equity as at 28 February 2017	<u>2,100,000</u>	<u>2,416,619</u>	<u>4,516,620</u>

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

Woodleigh Forest Limited

Statement of Financial Position As at 28 February 2018

	<u>Note</u>	<u>Feb 2018</u> \$	<u>Feb 2017</u> \$
<u>Current Assets</u>			
Accrued Interest		3,938	4,201
Accounts Receivable		21,921	-
Cash and Cash Equivalents	5	856,816	602,918
Goods & Services Tax		3,314	1,912
Provision for Taxation		<u>756</u>	<u>-</u>
		886,744	609,031
<u>Non Current Assets</u>			
<u>Plantations</u>			
Plantation Value	6	4,490,000	4,134,000
Revaluation for Year		<u>1,377,000</u>	<u>356,000</u>
	7	5,867,000	4,490,000
<u>Property, Plant and Equipment</u>			
Land	8	479,530	479,530
Land Improvements		<u>2,343</u>	<u>2,497</u>
		481,873	482,027
<u>Total Assets</u>		<u>7,235,617</u>	<u>5,581,058</u>
<u>Less Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable		-	1,733
<u>Non Current Liabilities</u>			
Deferred Tax	13	<u>1,526,467</u>	<u>1,062,705</u>
		1,526,467	1,062,705
<u>Total Net Assets</u>		<u>\$5,709,150</u>	<u>\$4,516,620</u>
Represented by:			
<u>Shareholders Equity</u>			
Equity as at 28 February 2018	15	<u>\$5,709,150</u>	<u>\$4,516,620</u>

For and on behalf of the Board of Directors


19 April 2018

Director

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

Woodleigh Forest Limited

Cashflow Statement For the Year Ended 28 February 2018

	<u>Note</u>	<u>Feb 2018</u> \$	<u>Feb 2017</u> \$
<u>Cash Flows from Operating Activities</u>			
Cash was provided from:			
Interest Received		21,680	22,625
Operating Income		287,404	1,685
Goods & Services Tax		-	886
		<u>309,084</u>	<u>25,196</u>
Cash was applied to:			
Operating Expenses		53,029	45,940
Goods & Services Tax		1,401	-
Income Tax Paid		<u>756</u>	<u>-</u>
		<u>55,186</u>	<u>45,940</u>
Net Cash inflow (outflow) from operating activities	10	<u>253,898</u>	<u>(20,744)</u>
<u>Cash Flows from Investing Activities</u>			
Cash was applied to:			
<u>Cash Flows from Financing Activities</u>			
Cash was provided from:			
Net increase (decrease) in cash held		<u>253,898</u>	<u>(20,744)</u>
Cash at Start of Year		<u>602,918</u>	<u>623,661</u>
Cash at End of Year		<u><u>\$856,816</u></u>	<u><u>\$602,917</u></u>

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

Woodleigh Forest Limited

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

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The Financial Statements presented here are for the entity Woodleigh Forest Limited, which is a company registered under the Companies Act 1993.

The financial statements of Woodleigh Forest Limited 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 company is applying Tier 1 reporting standards.

These financial statements were authorised for issue by the Director on the 19 April 2018.

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 Company has designated itself to be profit-oriented.

New Zealand dollars are Woodleigh Forest Limited 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 is reported in the Statement of Financial Performance.
- iii Woodleigh Forest Limited has voluntarily deregistered from the Emissions Trading Scheme ("ETS") in relation to 384 ha of plantation forest.

Woodleigh Forest Limited

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

- iv Revenue on sales of goods is recognised when they are delivered and ready for use by the customer.
- v Interest received is recognised on an accrual basis, with interest earned but not yet received recognised as an asset.
- vi The entity is not a party to financial instruments with off balance sheet risk.
- vii Property, plant and equipment is recorded at cost less accumulated depreciation. Land is recorded at cost.
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 cost or valuation less estimated residual value, over their estimated useful lives.

Major Depreciation rates are:

Land Improvements - 6% - 24% diminishing value.

- viii 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.
- ix For the purposes of the cashflow statement, cash includes cash on hand and deposits held at call with banks.
- x The income tax expense charged to the income statement includes both the current year's provision and the income tax effect of:

Taxable temporary differences, except those arising from initial recognition of goodwill and other assets that are not depreciated; and

Deductible temporary differences to the extent that it is probable that they will be utilised.

Temporary differences arising from transactions, other than business combinations, effecting neither accounting profit nor taxable profit are ignored.

Tax effect accounting is applied on a comprehensive basis to all temporary differences using the liability method. A deferred tax asset is only recognised to the extent that it is probable there will be future taxable profit to utilise the temporary differences.

- xi 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.

Woodleigh Forest Limited

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

2. AUDIT

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

3. RELATED PARTIES

The company paid administration fees of \$4,440 (2017 - \$4,320) and management fees and forest expenses of \$13,864 (2017 - \$11,686) 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 - \$1,733). No related party debts have been written off or forgiven during the year.

4. BUSINESS

The principal activity of Woodleigh Forest Limited is that of Afforestation. The company grows pinus radiata for the purpose of selling the harvest in 2024 and 2025.

	<u>Feb 2018</u>	<u>Feb 2017</u>
5. CASH AND CASH EQUIVALENTS		
Bank Account	17,896	519
Corporate Trust Limited	550,690	586,831
BNZ Term Deposit	-	-
Deposit - Investment Fund	288,230	15,567
	<u>\$856,816</u>	<u>\$602,918</u>

BNZ Term Deposit

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

6. PLANTATION DETAILS

The plantation is comprised of Pinus Radiata trees planted in the Wairoa District. The Net Stocked Area of approximately 384 hectares was planted in 1996 (284ha) and 1997 (99ha). The forest is a consumable immature biological asset.

	<u>Feb 2018</u>	<u>Feb 2017</u>
<u>Reconciliation of Net Stocked Ares</u>		
Opening Net Stocked Area (Approx.)	384	384
Closing Net Stocked Area (Approx)	<u>384</u>	<u>384</u>

7. 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.

Woodleigh Forest Limited

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

Valuation Methodology

The valuation uses the following procedure:

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

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

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

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

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

Projected Yield

The growth potential was determined for each crop type based on measurement data supplied by the forest manager. Where a crop has not been measured, the indices estimated in the original prospectus have been used. A clearfell age of 28 has been assumed for the majority of the radiata crops. Some small stands have been assigned other clearfell ages to coincide with the harvesting of larger neighbouring stands. Yields have been projected from measured starting points (where data allows) using appropriate growth models. The Atlas Forecaster modelling system has been used. A significant increase in this input would increase the fair value of the plantation.

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 2018) 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.

Woodleigh Forest Limited

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

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.

Woodleigh Forest Limited

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

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.

8. PROPERTY, PLANT AND EQUIPMENT

	Opening Value	Additions/ Deletions	Closing Value
<u>Land and Improvements - 2017 Year</u>			
Cost - March 1997	492,325	-	492,325
Accumulated Depreciation	(10,134)	(164)	(10,298)
Net Book Value	<u>482,191</u>	<u>(164)</u>	<u>482,027</u>
<u>Land and Improvements - 2018 Year</u>			
Cost - March 1997	492,325	-	492,325
Accumulated Depreciation	(10,298)	(154)	(10,452)
Net Book Value	<u>482,027</u>	<u>(154)</u>	<u>481,873</u>

The latest capital value set by Quotable Value for rating purposes in August 2015 was \$1,030,000

9. EMISSIONS TRADING SCHEME

The company holds 16,842 NZUs (2017 - 33,683) on the New Zealand Emission Unit Register. The company 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 \$352,335 (2017- \$597,873)

Of the 16,842 NZU Units held at balance date, 16,842 are able to be sold without liability for future repurchase on harvest.

	<u>Feb 2018</u> No.	<u>Feb 2017</u> No.
Opening Units Held	33,683	61,621
Emissions Trading Units Sold	(16,841)	(100)
Emissions Trading Units Surrendered	-	(41,708)
Emissions Trading Units Allocation	-	13,870
Closing Units Held	<u>16,842</u>	<u>33,683</u>

Woodleigh Forest Limited

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

10. CASH FLOW RECONCILIATION

Reconciliation of Cash Flows from Operating Activities:

Reported Surplus for Year	1,656,292	332,631
Non Cash Item - Depreciation	154	164
Non Cash Item - Forest Revaluation	<u>(1,377,000)</u>	<u>(356,000)</u>
	279,446	(23,205)
 Movements in Working Capital:		
(Increase)/Decrease in Accounts Receivable	(21,921)	-
Increase/(Decrease) in Accounts Payable	(1,733)	583
(Increase)/Decrease in Accrued Interest	263	992
(Increase)/Decrease in Tax Refund Due	(756)	-
(Increase)/Decrease in GST	<u>(1,401)</u>	<u>886</u>
	<u>(25,548)</u>	<u>2,461</u>
Net Cash Flow from Operating Activities	<u>\$253,898</u>	<u>(\$20,744)</u>

11. IMPUTATION CREDIT ACCOUNT

Balance as at 28 February 2018	<u>\$756</u>	<u>-</u>
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12. EVENTS AFTER BALANCE DATE

There have been no significant events after balance date.

13. INCOME TAX AND DEFERRED TAX

Surplus before Tax	<u>1,656,292</u>	<u>332,631</u>
Prima Facie Tax at 28%	463,762	93,137
Permanent Differences		
Different Deferred Tax Rate	-	-
Other	-	-
Income Tax Expense	<u>463,762</u>	<u>93,137</u>
 Represented by:		
Current Tax	-	-
Deferred Tax	463,762	93,137
	<u>463,762</u>	<u>93,137</u>

DEFERRED TAX LIABILITY

	Total
29 February 2016	969,568
Charged to Income	93,137
28 February 2017	<u>1,062,705</u>
Charged to Income	463,762
28 February 2018	<u>1,526,467</u>

Woodleigh Forest Limited

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

14. FINANCIAL INSTRUMENTS

Interest Rate Risk

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

Credit Risk

Financial Instruments which potentially subject the company 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 company is not exposed to any concentration of credit risk.

Liquidity Risk

Liquidity risk represents the company's ability to meet its financial obligations on time. For the most part the company generates sufficient cash flows from its operating activities to make timely payments.

Currency Risk

The company 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 company considers that such risk is minimal given that no funds are owed to other financial institutions.

Financial Risk Strategy

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

15. SHARE CAPITAL

Authorised Capital

2,187,500 ordinary shares	<u>2,187,500</u>	<u>2,187,500</u>
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Issued and Paid Up Capital

2,187,500 issued shares	2,187,500	2,187,500
Less uncalled shares of 87,500	<u>(87,500)</u>	<u>(87,500)</u>
Total Issued and paid up capital	<u>\$2,100,000</u>	<u>\$2,100,000</u>

All shares have equal voting rights and share equally in dividends and surplus on winding up.

Woodleigh Forest Limited

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

16. JUDGEMENT AND ESTIMATE UNCERTAINTY

The preparation of financial statements of necessity involves judgement and estimation. The only significant estimation required for the period 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

Woodleigh Forest Limited 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.

Woodleigh Forest Limited

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

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

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

18. CAPITAL COMMITMENTS & OPERATING LEASES

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

19. CONTINGENT ASSETS & CONTINGENT LIABILITIES

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

INDEPENDENT AUDITORS REPORT

To the Shareholders of Woodleigh Forest Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Woodleigh Forest Limited (the Company) on pages 3 to 16, which comprise the statement of financial position as at 28 February 2018, and the statement of 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 Company as at 28 February 2018, 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 Company 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 Company.

Other information

The directors are responsible on behalf of the company for the other information. The other information comprises the Directors Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based, on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors Responsibilities for the Financial Statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the directors 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 directors are responsible on behalf of the Company for assessing the Company'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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors Responsibilities for the Audit of the Financial Statements

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

A detailed description of the auditors' responsibilities including those related to assessment of risk of material misstatement, evaluation of appropriateness of going concern assumptions and determining key audit matters are available on the external reporting board website:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

Restriction on Distribution or Use

This report is made solely to the Shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company Shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.



Talia Anderson-Town
Silks Audit Chartered Accountants Ltd
Whanganui, New Zealand

Date: 19 April 2018