Forest Partnership Report

18 March 2016

Hello,

This has been another positive year for our forest estate.

Although the spring forecasts for the East Coast were for a dry summer due to the El Nino weather pattern, we have actually received good summer rainfall and all of our forests are in good heart as a result.

Valuations

You will be pleased to see the valuation of your forest asset shows an average increase of 17.8% over the 2015 valuation. A copy of the valuation is enclosed.

The forecast net stumpage at harvest for the forest, based on the increased values can be found on the last page of the valuation. From this you can calculate your net stumpage relative to your percentage of partnership interest/shareholding.

Carbon Market – Emissions Trading Scheme

As at today, the price of NZUs has climbed to $11 and will hopefully continue to move north. We believe many emitters have been holding back on purchasing units until there was clarity around the ETS review and whether the 2:1 subsidy would be removed or not.

On 17th March our climate change minister, Paula Bennett said that "It was a matter of when not if" the two for one subsidy for carbon emitters would be removed. This had an immediate effect on NZU prices which climbed to $11 by the end of the days' trading.

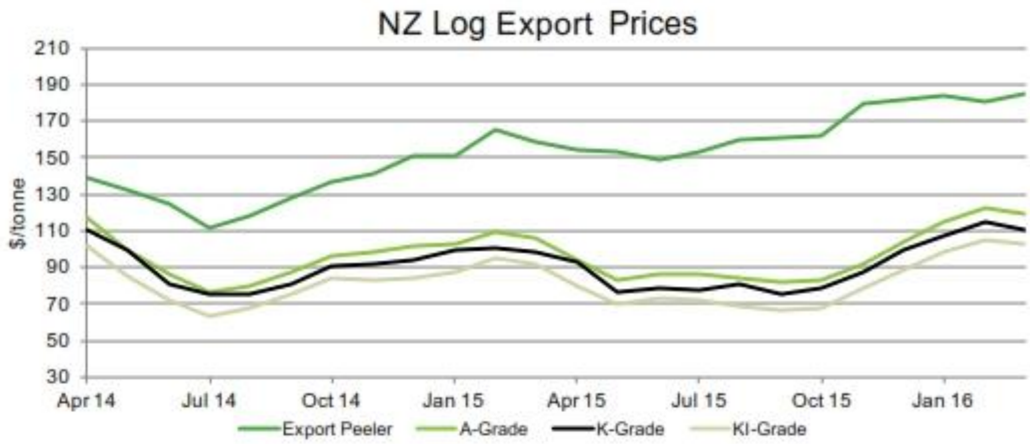
The NZ Emissions Trading Scheme is currently under review and we await the outcome, but based on the Ministers' comments, we are optimistic it will be positive for forestry. We know NZ is presently in a net deforestation situation and if the ETS is to remain an effective carbon management tool, foresters need a clear signal from the government via the ETS to give them the confidence to start planting again.

The NZU sales strategy we have adopted to fund the operating expenses of the forests enables us to take advantage of the rising NZU price. We are selling smaller parcels of units on an as required basis.

Log Markets

Many commodities on the world markets have had a rough time over the last few years. Who would have thought oil would trade down to $28USD.

Interestingly, while we have had two significant dips in log prices over the past twelve months, log prices have held up reasonably well. This is largely due to cheaper international freight rates and exchange rate gains against the USD rather than demand.



Inventory held at the Chinese ports has been lower than previous years over the Chinese New Year period. As a result the log price drops we generally see at this time have not happened. This has also helped to keep the prices up.

It is heartening to see at last a premium return to the market for pruned logs with P40 grade logs achieving $200 per JAS at some ports. The differential between the pruned price and A grade price is now high enough to make the owners of younger forests reconsider whether to prune or not to prune.

Now that we have more forests approaching harvest, it is important we have a better understanding of the markets we are selling our logs into. I have the opportunity to participate in a trip to look at the Chinese and other Asian markets, to help get a better understanding of them as well as the scale on which they operate.

This trip is planned for May.

Harvest age

In my midyear report in November I indicated that we will be commencing harvest of our forests at age 26 rather than the original forecast of age 28. We arrived at this decision after commissioning Jeff Schnell from Olsens to produce a cost benefit analysis as to the optimum time for harvest of our 1991 planted forests and his financial models shows that to be around age 26 years.

The reality is, the harvest of each individual forest will be spread over two or three years because in most cases, it is realistic to put one harvest crew in each forest. By planning harvest at an estate level, this creates economy of scale benefits which will benefit the forest owners. By smoothing the harvest volume, the partners will also derive the benefit of averaging log sale prices and tax benefits. (See separate section on tax)

Roading in the forests prior to harvest requires planning now as there is a significant economic advantage in constructing roads in the dry summer months to prepare for the clearfell operation. It is widely accepted that once the roads are formed, they require time to settle before the harvest traffic starts using them. This leads to more economical roading costs and reduced maintenance during harvest.

For forests planted in 1991/92 the proposal is to begin roading construction during summer of 2016/2017, further roading will be carried out in summer of 2017/2018 and main harvest will begin (when the forest is 26 years old), in the spring (September/October) of 2018.

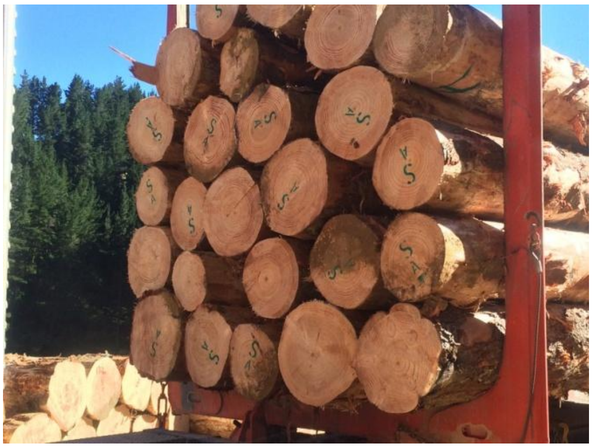
Given the scale of the activity planned in the older forests we feel it is important partners are fully informed of future harvest plans for their forest. We are therefore having separate AGMs this year for Hawkes Bay forests planted in 1991/92 to outline the plans over the next few years.

Tax on Harvest Income

It is worth noting that under Sections EI1 and EJ1 of the Income Tax Act, the income from forestry may be spread for tax purposes, at the option of the taxpayer, over the income year in which the trees are harvested, and the preceding three income years – i.e. a total of four years. This can be advantageous for example where the tax on the income would otherwise result in a change of tax brackets, or where for whatever reason one of the preceding years has significantly less income.

By spreading the harvest over more than one income year, the effect is to extend this four year period – For example, if harvesting was to span three tax years, there are seven years in which the tree income can be allocated for tax purposes, which depending upon each individual's circumstances, could result in quite substantial tax savings.

Harvesting at Waikare Forest



After a slow winter, good progress has been made over the summer months with the harvest of Waikare Forest – the first of the Roger Dickie estate to be harvested. Approximately 27% of the forest is now harvested and over 63% of the roads established.

We have been harvesting our Waikare Forest in South Taranaki for 13 months and it is interesting to note that the average gross revenue per tonne is running at 19.7% ahead of the projection of 16 months ago, forecast by FMNZ based on last 12 quarter running averages. This is an excellent result considering that over that period we have gone through two significant log market price dips.

Managed Investment Scheme (MIS) Licensing

As previously advised, as administrator/manager of the forest partnerships, Roger Dickie (N.Z.) Ltd is required to obtain an MIS license by 1st December 2016. We are working on the application which is proving to be quite time consuming given the level of detail required by the Financial Markets Authority.

One of the changes we need to make is to the partnership Deeds of Participation (DOP) to ensure they are compliant with the Act. We have engaged Kensington Swan Lawyers to prepare a revised DOP. They advise that there are only minor changes required, and they expect to have the amended document completed shortly.

Once completed, the amended DOP will be circulated to the partners for adoption.

We continue to be aware of compliance costs and the need to manage these costs carefully.

Change of name of Statutory Supervisor

As advised in my mid-year report, Complectus Limited acquired the shares of our Statutory Supervisor, Foundation Corporate Trust. Complectus also owns Covenant Trustee Services Limited which is a supervisor licenced by the Financial Markets Authority.

The Boards of Foundation and Covenant have now proceeded to amalgamate both companies into one called Covenant Trustee Services Ltd. The amalgamation took effect on

March 1st this year and effectively is a name change only, as it will have no effect on our dealings with the Statutory Supervisor.

Partner IDs

Many of you will already have experienced the increased identification requirements when dealing with banks or other financial institutions. This is due to the Anti Money Laundering and Counter Financing of Terrorism Act 2009 Act.

We are now required to have formal identification, physical address and bank account details for all of our investors. A photo ID (passport or drivers licence) and a copy of a utilities bill confirming your residential address are needed to meet these requirements.

We will be working our way through all the forests and requesting this information from all investors and would ask for your cooperation in providing it to us. Unless we hold this information on file, we are unable to make distributions of harvest revenue or proceeds of the sale of partnership interests or shares.

Insurance

The insurance investment fund currently sits at $1,960,759 in total. The partnerships will each pay their insurance premiums out of their individual funds.

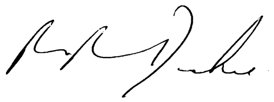
Secondary Market

Richard Bourne tells me he has strong interest in secondary market shares available for sale. The enquiries are from existing partners, other outside parties and strong interest from overseas buyers for partnership interests in forests approaching harvest.

Richard has had an excellent clearance of partnership interests offered for sale in the past few months so if you were considering selling, it may be a good time to discuss your options with him.

If you are interested in securing an investment in another forest partnership or farm, please contact Richard Bourne in our office or email richardb@rogerdickie.co.nz

Regards



Roger Dickie

FOREST Management NEW ZEALAND LTD

Woodleigh
Forest Limited
Forest Managers Report - March 2016

Meteorologists tell us New Zealand weather is experiencing a strong El Niño phase this summer. This generally means stronger or more frequent winds from the west which cause a high drought risk in the east and more rain than normal in the west. The conditions on the ground however, have been quite different. The Gisborne region generally remains green, Hawkes Bay is only now starting to get dry and the Taranaki/Whanganui region has received little rain all summer. While this has meant we may well have over prepared for the fire season, the conditions have been ideal for tree growth and health and the forests reflect this.

Forest health is generally excellent. Normally at this time of year we are starting to see the trees that have been affected by red needle cast (RNC), start to make new foliage growth however, this year there is little sign of this and most trees are a uniform healthy green showing none of the defoliation associated with RNC.

The tracks are in excellent order now the annual track maintenance has been completed. The creek crossings have scoured out a bit since the maintenance work was done however, with care, remain passable.

The fencing budget of $2,500 has not been spent and we have carried it forward to the 2017 budget year. This was for repairs to the Cricklewood Station and road boundary fences and while repairs are necessary, it is a matter of getting the neighbour to commit to carrying out the work.

There are no real weed issues on the property at present.

There is little sign of pest damage in the forest at present. The pest control budget last financial year was overspent by $463 due to additional bait bags required in some parts of the forest. We have made allowance in this years' budget to carry out some possum poisoning to keep on top of these pests.

The Forest Growers Levy Trust (FGLT) was established in 2013 to manage the proceeds of the newly introduced levy on plantation timber products. The trust is responsible for the distribution of the levy collected ($7.62m for 2015), into research, biosecurity, safety, transport, fire prevention and forest industry promotion and advocacy. Each year FGLT trustees review the work programme, confirm the budget for the year and set the levy rate. The levy is presently 27c per tonne.

The work programme of $7.632m approved for 2016 includes:

- $4.478m for forest research. The focus is on sustainable intensification of radiata forests or "growing more timber on the same area of land without any harm to the environment." Other research projects include diverse species, Phytophera sciences and fire research.
- Forest health and bio-security $1.007m. Includes the forest health surveillance scheme $800,000. The scheme aims to detect new incursions before they can establish in our plantations.
- $585,000 to the Forest Industry Safety Council established in 2015, co-funded by ACC and Worksafe.
- Transportation $277,000 and includes road safety and state highway analysis
- Industry promotion including NZ Wood promotions $400,000
- Environment $272,000 which includes steepland harvesting research

The levy seems to be working well and means that all forest owners, come harvest time, make a contribution to industry good initiatives. Prior to the introduction of the levy, much of the cost of these initiatives was borne by only some forest owners, even though all forest owners received the benefit of these activities.

Last March we reported on steps being taken to formalise the Hawkes Bay Forest Group (HBFG) to enable it to operate more effectively in the present environment. Although the group has been in existence since 2002, group members are time constrained with their primary roles and the group identified the need to introduce a membership fee that could be used to fund a part time dedicated role to assist the group meet their core objectives.

Over the past year HBFG become an incorporated society and a part time CEO has been appointed. The executive Chair is – Brett Gilmore (Chairman), Steve Bell (Vice Chair) and Keith Dolman (CEO) the HBFG members are:

Forest Management NZ Ltd, Rayonier New Zealand, Pan Pac Forest Products, PF Olsen Ltd, Grandy Lake Forest Ltd, NZ Forest Managers Ltd, Forest Enterprises, Hawkes Bay Regional Council.

The Group's objectives are:

- Promote a positive industry image to the public
- Promote the industry as an employment option to young and local workers
    - Establish communication with local schools
    - Provide industry training information
- Advocate with regulatory authorities
    - Proactive industry image building
    - Coordinate submissions on regulatory changes
- Develop a drug and Alcohol register policy
- Continue to provide a forum for forest managers in Hawke's Bay to meet to discuss issues of common interest
- Establish relationships with other wood councils to enable shared learning

The Budget for the 2016 year has been set at $24,000 which all members contribute to. This allows the CEO to advance the objectives of the group for the good of the industry within the Hawkes Bay region.

The Napier Gisborne Rail Group (NGRG) and Hawkes Bay Regional Council (HBRC) continue to work towards the resumption of a rail service on the Napier Gisborne rail line. HBRC are in negotiation with Kiwirail over the use of the line and are now working to a deadline of the end of March.

It is the intention that HBRC lease the line and engage Kiwirail to provide a service on the line. Kiwirail have provided a number of service options for consideration and these are presently being worked through. While it is the intention of HBRC and NGRG that logs would be the major commodity freighted on the line, Kiwirail are yet to deal with other freight and tourism options proposed for the line.

We understand HBRC aim to get log trains running from Wairoa to Napier Port by the October Local Body Elections.

Over the past months, NZUs have risen in value to over $10 per unit and many commentators believe they will continue to climb in value. The outcome of the ETS review may have some influence on this, particularly if the 2:1 subsidy available for emitters is removed. At $10 plus, we are starting to see a few more of our private clients looking to monetise their units however, most are waiting for the outcome of the ETS review and to see if the price may climb higher.

As at the end of February, Woodleigh Forest held 61,621 NZUs in their NZEUR account. These were made up of 33,783 liability free units and 27,838 non liability free NZUs. We sold no NZUs to fund operating expenses over the last six months.

We have budgeted to de-register from the ETS at the end of the year. The end of the second commitment period is 2017 and if we remain in the ETS, will need to once again, carry out field measurement approach plotting (FMA) to generate site specific carbon sequestration tables for the forest. There is considerable expense involved in carrying out the FMA inventory and given that the forest is rapidly approaching harvest and the NZUs allocated will need to be surrendered, the cost of the FMA plotting cannot be justified. The pre 1990 and liability free NZUs are not surrendered or affected by deregistration.

The Health and Safety at Work Act 2015 and Regulations comes into effect on 4th April this year. The new legislation changes the focus from monitoring and recording health and safety incidents to actively identifying and managing risks to keep everyone safe by avoiding workplace incidents.

It also introduces a new legal concept of a Person Conducting a Business or Undertaking (PCBU) who has the primary responsibility for ensuring the health and safety of workers. While a PCBU is generally a business rather than an individual, officers and directors of the business can now be held liable and fined for health and safety breaches if they have not complied with their due diligence responsibilities by ensuring the safety of all who may be affected by their business. It is therefore important that everyone is a stakeholder in the management of health and safety.

Due diligence "is not done by merely hoping others would or could do what they were told, but also ensuring they have the skills to execute the job they are required to do and then ensuring compliance with that in accordance with best practice. Compliance requires a process of review and auditing, both formal and random, in order to ensure that the safe standards established are in fact being adhered to and under ongoing review."

The legislation has major ramifications for the forest industry and the way in which health and safety is managed. At FMNZ we take health and safety seriously and have employed a full time staff member to manage our policy and procedures to ensure ongoing compliance with the regulations. In addition, we recently rolled out our updated Health and Safety Policy and Procedures and have engaged an independent auditor to review these documents to ensure they are fit for purpose and enable us to continue to maintain a safe working environment.

Steve Bell
Forest Manager

FMNZ:
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South Taranaki, New Zealand
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18 March 2016

Silks Audit Chartered Accountants
PO Box 7144
Wanganui 4541

Woodleigh Forest
Tree crop valuation

As requested, we have assessed the fair value of the tree crop assets at Woodleigh forest owned by Woodleigh Forest Limited. 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 29 February 2016 at:

$4,134,000 plus GST (if any)

The current productive net stocked area is estimated at 384. 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, and any value from the costs and revenues arising from the option to join the Emissions Trading Scheme.

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 (2016) 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 2016" 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 2016, as achieved at the ports in Gisborne, Napier and Wellington. 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	3,466
Update area	3,468
Advance date one year	3,834
Update yields	3,834
Update costs	3,756
Update log prices	3,934
Update discount rate	4,134
Tree crop value this year	**4,134**

Area changes, if any, are mainly the result of remapping the stocked area during the year.

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 tending, harvest road construction and cartage have all risen this year. Changes to tending costs will only impact on forests with tending operations remaining. The harvest-related costs of road construction and cartage 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 pruned radiata logs have increased this year, while prices for other grades have dropped slightly, or remained relatively flat.

We have reduced the discount rate applied in this valuation. Evidence from recent forest transactions suggest that purchasers are applying lower discount rates in deriving tree crop values.

Harvest revenue
Based on the assumptions adopted for the purpose of this valuation, the owner of Woodleigh forest is projected to receive a total net stumpage revenue of approximately $ 9,574,000 in year 2024.

This projected stumpage revenue is expressed in 2016 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)

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.

Woodleigh Forest Limited

Financial Report
For the Year Ended
29 February 2016

Woodleigh Forest Limited

Financial Statements
for the Year Ended 29 February 2016

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MARKHAMS WAVERLEY LIMITED
CHARTERED ACCOUNTANTS
WAVERLEY

SILKS AUDIT CHARTERED ACCOUNTANTS

Woodleigh Forest Limited

Client Directory
For the Year Ended 29 February 2016

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
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 29 February 2016

The Board of Directors present their Annual Report including financial statements of the Company for the year ended 29 February 2016.

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 $4,150 and management fees & forest expenses of $12,359 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

Director

4th April 2016

SILKS AUDIT CHARTERED ACCOUNTANTS

Woodleigh Forest Limited

Statement of Comprehensive Income
For the Year Ended 29 February 2016

	Feb 2016 $	*Feb 2015* $	*Budget* $
Forest Expenses			
Fire Control	279	205	300
Management & Supervision Fees	7,789	9,074	9,020
	8,068	9,279	9,320
Operating Expenses			
Accountancy Fees	2,800	2,750	2,800
Administration	4,150	4,119	4,200
Audit Fees	1,750	1,625	1,625
Bank Fees	82	95	150
Depreciation for Period	176	190	176
Emission Trading Scheme	216	2,769	300
Legal Expenses	-	156	250
Meeting Costs	284	272	300
Repairs & Maintenance - Fences	-	-	2,500
Repairs & Maintenance - Tracks & Dams	4,000	3,963	4,000
Statutory Supervisor	2,000	2,000	2,000
Subscriptions - Forest Health, Research, Kyoto	166	94	105
Sundry Expenses	222	1,106	2,000
Valuation - Forest	435	225	250
Weed & Pest Control	2,463	-	2,500
	18,744	19,364	23,156
Standing Charges			
Insurance - Public Liability	416	401	-
Insurance - Plantations	11,675	11,051	11,678
Rates	6,792	6,178	6,688
	18,883	17,630	18,366
Total Forest Expenses	$45,695	$46,273	$50,842
Less Expenses Recovered			
Interest Received	27,004	21,912	480
Carbon Credit Sales (Net)	-	192,811	-
	27,004	214,723	480
Income for Tax Purposes	($18,691)	$168,450	($50,362)
Plantation Revaluation Increase (Decrease)	668,000	38,000	-
Net Surplus Before Taxation	649,309	206,450	(50,362)
Less Provision for Deferred Taxation	181,807	57,805	-
Net Surplus for Period	467,502	148,645	(50,362)
Comprehensive Income	-	-	-
Total Comprehensive Income	$467,502	$148,645	($50,362)

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

SILKS AUDIT CHARTERED ACCOUNTANTS

Woodleigh Forest Limited

Statement of Changes in Equity
For the Year Ended 29 February 2016

	Share Capital	Retained Earnings	***2016*** Total
	$	$	$
Opening Balance 1 March 2015	2,100,000	1,709,623	3,809,624
Comprehensive Income	-	467,502	467,502
Shares Issued			-
Dividends Paid			-
Transactions with Owners			-
Equity as at 29 February 2016	2,100,000	2,177,125	4,277,126

	Share Capital	Retained Earnings	***2015*** Total
	$	$	$
Opening Balance 1 March 2014	2,100,000	1,560,978	3,660,979
Comprehensive Income	-	148,645	148,645
Shares Issued			-
Dividends Paid			-
Transactions with Owners			-
Equity as at 28 February 2015	2,100,000	1,709,623	3,809,624

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

SILKS AUDIT CHARTERED ACCOUNTANTS

Woodleigh Forest Limited

Statement of Financial Position
As at 29 February 2016

	Note	Feb 2016 $	Feb 2015 $
Current Assets			
Accrued Interest		5,193	419
Cash and Cash Equivalents	5	623,661	645,294
Goods & Services Tax		2,799	3,304
Accounts Payable		-	1
		631,653	649,018
Non Current Assets			
Plantations	6		
Plantation Value		3,466,000	3,428,000
Revaluation for Year		668,000	38,000
	7	4,134,000	3,466,000
Property, Plant and Equipment	8		
Land		479,530	479,530
Land Improvements		2,661	2,837
		482,191	482,367
Total Assets		5,247,844	4,597,385
Less Liabilities			
Current Liabilities			
Accounts Payable		1,150	-
Non Current Liabilities	13		
Deferred Tax		969,568	787,761
		969,568	787,761
Total Net Assets		$4,277,126	$3,809,624
Represented by:			
Shareholders Equity			
Equity as at 29 February 2016	15	$4,277,126	$3,809,624

For and on behalf of the Board of Directors

_______________ Director

4th April 2016

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

SILKS AUDIT CHARTERED ACCOUNTANTS

Woodleigh Forest Limited

Cashflow Statement
For the Year Ended 29 February 2016

	Note	Feb 2016	Feb 2015
		$	$
Cash Flows from Operating Activities			
Cash was provided from:			
Interest Received		22,230	21,493
Carbon Credit Sales (Net)		-	192,811
Goods & Services Tax		506	-
		22,736	214,304
Cash was applied to:			
Operating Expenses		44,369	46,083
Goods & Services Tax		-	798
		44,369	46,881
Net Cash inflow (outflow) from operating activities	9	(21,633)	167,422
Cash Flows from Financing Activities			
Cash was provided from:			
Net increase (decrease) in cash held		(21,633)	167,422
Cash at Start of Year		645,295	477,872
Cash at End of Year		$623,662	$645,294

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

SILKS AUDIT CHARTERED ACCOUNTANTS

Woodleigh Forest Limited

Notes to the Financial Statements
For the Year Ended 29 February 2016

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.

Woodleigh Forest Limited is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of Woodleigh Forest Limited have been prepared in accordance with the Financial Reporting Act 1993.

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.

The information is presented in New Zealand dollars.

Specific Accounting Policies

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

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

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

iii Woodleigh Forest Limited has voluntarily entered the Emission Trading Scheme ("ETS") in relation to 383 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. Some 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.

Woodleigh Forest Limited

Notes to the Financial Statements
For the Year Ended 29 February 2016

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 Property, plant and equipment is recorded at cost less accumulated depreciation. Land is recorded at cost. Depreciation has been calculated using the rates permitted by the Inland Revenue Department.

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 periods are:
Land Improvements - average 31 years

vii 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.

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

ix 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.

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.

Woodleigh Forest Limited

Notes to the Financial Statements
For the Year Ended 29 February 2016

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 $4,150 and management fees, ETS transactions and forest expenses of $12,359 to companies in which R R Dickie, a shareholder, has a controlling interest. These amounts were charged on normal commercial terms and conditions. The amount outstanding at balance date was $1,123 (2015 - $0). 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.

		Feb 2016	Feb 2015
		$	$
5.	**CASH AND CASH EQUIVALENTS**		
	Bank Account	27,657	58,848
	Corporate Trust Limited	565,160	503,856
	BNZ Term Deposit	-	42,465
	Deposit - Investment Fund	30,844	40,125
		$623,661	$645,294

Deposit - Investment Fund
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 383 hectares was planted in 1996 (284ha) and 1997 (99ha).

7. **PLANTATION REVALUATIONS**

Valuer
The plantation was valued as at 29 February 2016 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.

SILKS AUDIT CHARTERED ACCOUNTANTS

Woodleigh Forest Limited

Notes to the Financial Statements
For the Year Ended 29 February 2016

	Feb 2016	Feb 2015
	$	$

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 December 2015) as reported by MPI. They range from $54 to $154 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 2016 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 harvestplan 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.

SILKS AUDIT CHARTERED ACCOUNTANTS

	Feb 2016	Feb 2015
	$	$

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% 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.

Woodleigh Forest Limited

Notes to the Financial Statements
For the Year Ended 29 February 2016

	Feb 2016	Feb 2015
	$	$

8. PROPERTY, PLANT AND EQUIPMENT

	Opening Value	Additions/ Deletions	Closing Value
Land and Improvements - 2015 Year			
Cost - March 1997	492,325	-	492,325
Accumulated Depreciation	(9,768)	(190)	(9,958)
Net Book Value	482,557	(190)	482,367
Land and Improvements - 2016 Year			
Cost - March 1997	492,325	-	492,325
Accumulated Depreciation	(9,958)	(176)	(10,134)
Net Book Value	482,367	(176)	482,191

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

9. CASH FLOW RECONCILIATION

	Feb 2016	Feb 2015
Reconciliation of Cash Flows from Operating Activities:		
Reported Surplus for Year	649,309	206,450
Non Cash Item - Depreciation	176	190
Non Cash Item - Forest Revaluation	(668,000)	(38,000)
	(18,515)	168,640
Movements in Working Capital:		
(Increase)/Decrease in Accounts Receivable	-	-
Increase/(Decrease) in Accounts Payable	1,150	-
(Increase)/Decrease in Accrued Interest	4,774	419
(Increase)/Decrease in GST	506	(798)
	(3,118)	(1,218)
Net Cash Flow from Operating Activities	($21,633)	$167,422

10. IMPUTATION CREDIT ACCOUNT

	Feb 2016	Feb 2015
Balance as at 29 February 2016	-	-

11. CAPITAL COMMITMENTS & CONTINGENT LIABILITIES

At balance date, and also the previous balance date, there were no known capital commitments or contingent liabilities.

12. EVENTS AFTER BALANCE DATE

There have been no significant events after balance date.

SILKS AUDIT CHARTERED ACCOUNTANTS

Woodleigh Forest Limited

Notes to the Financial Statements
For the Year Ended 29 February 2016

13. INCOME TAX AND DEFERRED TAX

	Feb 2016 $	*Feb 2015* $
Surplus before Tax	649,309	206,450
Prima Facie Tax at 28% (2011 - 30%)	181,807	57,805
Permanent Differences		
Different Deferred Tax Rate	-	-
Other	-	-
Income Tax Expense	181,807	57,805
Represented by:		
Current Tax	-	-
Deferred Tax	181,807	57,805
	181,807	57,805

DEFERRED TAX LIABILITY

	Total
28 February 2014	729,956
Charged to Income	57,805
28 Febuary 2015	787,761
Charged to Income	181,807
29 February 2016	969,568

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.

SILKS AUDIT CHARTERED ACCOUNTANTS

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 100% equity finance from shareholders.

15. SHARE CAPITAL

Authorised Capital

2,187,500 ordinary shares	2,187,500	2,187,500

Issued and Paid Up Capital

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

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.

Have relied on a systems audit of FMNZ carried out in the late 90's and the intention from PF Olsen is to conduct another systems audit during 2016.

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. EMISSIONS TRADING SCHEME

The company holds 61,621 NZUs (2015 - 61,621) 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 29 February 2016 is $585,400 (2015 - $363,564)

Of the 61,621 NZU Units held at balance date, 33,783 are able to be sold without liability for future repurchase on harvest.

SILKS AUDIT
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INDEPENDENT AUDITORS REPORT

To the Shareholders of Woodleigh Forest Limited

Report on the Financial Statements

We have audited the financial statements of Woodleigh Forest Limited on pages 3 to 15 which comprise the Statement of Financial Position as at 29 February 2016 and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in Woodleigh Forest Limited.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Woodleigh Forest Limited as at 29 February 2016, and its financial performance and its cashflows for the year ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements
We also report in accordance with sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 29 February 2016:

(i) We have obtained all the information and explanations we have required; and

(ii) In our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Restriction on Distribution or Use
This report is made solely to the Shareholders, as a body, in accordance with section 207B(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Shareholders those matters we are required to state to them in an auditors 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 and the Shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Silks Audit

Silks Audit
Chartered Accountants
Wanganui, New Zealand

Date: 4 April 2016