

Portobello Forest Partnership

Financial Statements **for the Year Ended 28 February 2015**

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Portobello Forest Partnership

Statement of Total Profit/Loss and Comprehensive Income For the Year Ended 28 February 2015

	<u>Feb 2015</u> \$	<u>Feb 2014</u> \$	<u>Budget</u> \$
<u>Forest Expenses</u>			
Fire Control	205	99	300
Management & Supervision Fees	8,127	7,302	9,140
	8,332	7,402	9,440
<u>Operating Expenses</u>			
Accountancy Fees	2,705	2,575	2,625
Administration	3,918	3,643	3,900
Audit Fees	1,575	1,525	1,595
Bank Fees	103	105	126
Depreciation for Period	61	70	61
Emission Trading Scheme	1,769	2,102	200
Legal Expenses	17	8	-
Meeting Costs	252	248	300
Repairs & Maintenance - Fences	1,026	400	1,500
Repairs & Maintenance - Tracks & Dams	3,763	3,869	3,750
Statutory Supervisor	1,325	1,325	1,325
Subscriptions - Forest Health, Research, Kyoto	199	443	680
Sundry Expenses	506	255	4,000
Valuation - Forest	225	246	255
Weed & Pest Control	860	790	950
	18,305	17,604	21,267
<u>Standing Charges</u>			
Insurance - Public Liability	401	401	400
Insurance - Plantations	9,258	9,215	10,140
Rates	4,793	4,749	4,900
	14,451	14,366	15,440
<u>Total Expenses</u>	41,089	39,371	46,147
<u>Less Expenses Recovered</u>			
Interest Received	1,478	1,891	300
Carbon Credit Sales (Net)	23,215	1,779	-
	24,693	3,670	300
<u>Loss for Tax Purposes</u>	(16,396)	(35,701)	(45,847)
Plantation Revaluation Increase (Decrease)	161,000	389,000	-
<u>Net Surplus/(Deficit)for Year</u>	144,604	353,299	(45,847)
Comprehensive Income	-	-	-
<u>Total Comprehensive Income</u>	\$144,604	\$353,299	(\$45,847)

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

Portobello Forest Partnership

Statement of Changes in Equity For the Year Ended 28 February 2015

	<u>Note</u>	<i>Capital Accounts</i>	<i>Retained Earnings</i>	<u>2015 Total</u>
Equity as at 1 March 2014		1,636,622	2,504,023	4,140,645
Total Comprehensive Income		0	144,604	144,604
Total Contributions From Partners		25,200	-	25,200
Total Transactions with Owners		25,200	-	25,200
Equity as at 28 February 2015	17	<u>1,661,822</u>	<u>2,648,627</u>	<u>4,310,449</u>

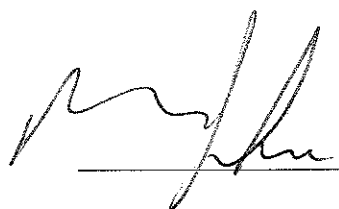
	<i>Capital Accounts</i>	<i>Retained Earnings</i>	<u>2014 Total</u>
Equity as at 1 March 2013	1,602,062	2,150,724	3,752,786
Total Comprehensive Income	0	353,299	353,299
Total Contributions From Partners	34,560	-	34,560
Total Transactions with Owners	34,560	-	34,560
Equity as at 28 February 2014	<u>1,636,623</u>	<u>2,504,023</u>	<u>4,140,646</u>

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

Portobello Forest Partnership

Statement of Financial Position As at 28 February 2015

	<u>Note</u>	<u>Feb 2015</u> \$	<u>Feb 2014</u> \$
<u>Current Assets</u>			
Calls in Arrears		-	25
Accrued Interest		194	-
Cash and Cash Equivalents	4	59,062	50,770
Goods & Services Tax		<u>3,012</u>	<u>2,246</u>
		62,268	53,041
<u>Non Current Assets</u>			
<u>Plantations</u>			
Plantation Value	5	3,749,000	3,360,000
Revaluation for Year		<u>161,000</u>	<u>389,000</u>
	6	3,910,000	3,749,000
<u>Property, Plant and Equipment</u>			
Land	7	337,839	337,839
Land Improvements		<u>705</u>	<u>766</u>
		338,544	338,605
<u>Total Assets</u>		<u>4,310,812</u>	<u>4,140,645</u>
<u>Less Liabilities</u>			
<u>Current Liabilities</u>			
Calls in Advance		362	-
<u>Total Net Assets</u>		<u>\$4,310,450</u>	<u>\$4,140,645</u>
Represented by:			
<u>Equity</u>			
Capital Contributions per Schedule	17	1,661,822	1,636,622
Retained Earnings		<u>2,648,628</u>	<u>2,504,023</u>
		<u>\$4,310,450</u>	<u>\$4,140,645</u>

 Partner
  Partner

22 June 2015

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

Portobello Forest Partnership

Cashflow Statement For the Year Ended 28 February 2015

	<u>Note</u>	<u>Feb 2015</u> \$	<u>Feb 2014</u> \$
<u>Cash Flows from Operating Activities</u>			
Cash was provided from:			
Interest Received		1,284	1,891
Carbon Credit Sales (Net)		<u>23,215</u>	<u>1,779</u>
		24,499	3,670
 Cash was applied to:			
Operating Expenses		41,028	39,301
Goods & Services Tax		<u>766</u>	<u>40</u>
		41,794	39,341
 Net Cash inflow (outflow) from operating activities	8	<u>(17,295)</u>	<u>(35,671)</u>
<u>Cash Flows from Financing Activities</u>			
Cash was provided from:			
Calls on Participatory Securities		<u>25,587</u>	<u>34,550</u>
Net cash inflow (outflow) from financing activities	8	<u>25,587</u>	<u>34,550</u>
 Net increase (decrease) in cash held		<u>8,293</u>	<u>(1,121)</u>
Cash at Start of Year		<u>50,770</u>	<u>51,890</u>
Cash at End of Year		<u><u>\$59,063</u></u>	<u><u>\$50,769</u></u>

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

Portobello Forest Partnership

Notes to the Financial Statements For the Year Ended 28 February 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Portobello Forest Partnership is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of Portobello Forest Partnership 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 Partnership 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 are recorded in the Statement of Financial Performance.
- iii Portobello Forest Partnership has voluntarily entered the Emission Trading Scheme ("ETS") in relation to 243 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. 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.

Portobello Forest Partnership

Notes to the Financial Statements For the Year Ended 28 February 2015

- 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 21 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 subject to audit, please refer to Auditor's Report.

3. BUSINESS

The principal activity of Portobello Forest Partnership is that of Afforestation. The partnership grows pinus radiata for the purpose of selling the harvest in 2023.

Portobello Forest Partnership

Notes to the Financial Statements For the Year Ended 28 February 2015

	<u>Feb 2015</u>	<u>Feb 2014</u>
	\$	\$
4. CASH AND CASH EQUIVALENTS		
B N Z Current Account	7,505	11,781
B N Z Deposit - Investment Fund	30,557	38,989
B N Z Term Deposit	21,000	-
	<u>\$59,062</u>	<u>\$50,770</u>

Deposit - Investment Fund

The deposit is available to fund any future obligation that Portobello Forest Partnership may assume under its arrangement with other partnerships in the Roger Dickie Insurance Group. Portobello Forest Partnership will contribute towards forest losses sustained by other partnerships and not covered by the Group Insurance Scheme.

5. PLANTATION DETAILS

The plantation is comprised of Pinus Radiata trees planted in the Gisborne District. The Net Stocked Area of approximately 243 hectares was planted in 1995.

6. PLANTATION REVALUATIONS

Valuer

The plantation was valued as at 28 February 2015 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.

Portobello Forest Partnership

Notes to the Financial Statements For the Year Ended 28 February 2015

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 2014) as reported by MPI. They range from \$55 to \$146 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 exclusive of GST. Actual rates have been provided by RD(NZ) Ltd for use in the valuation.

- i Tending costs vary with the age of the trees.
- ii Annual costs for insurance, forest management, etc. have been assumed at \$118 per hectare per year.
- iii Clearfell harvest costs are based on current average contract costs.
- iv A logging and loading cost of \$29/m³ has been assumed for ground based logging, and \$38/m³ assumed for hauler logging. These are based on current operations in the East Coast region of the North Island.
- v A road and skid formation cost of \$2,590 per hectare has been assumed. In addition, a maintenance cost of \$1.00 per m³ has been assessed to cover road maintenance during the harvest operations.
- vi Harvest management costs are set at \$5.30/m³ 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.

A significant increase in costs would decrease the fair value of the plantation.

Portobello Forest Partnership

Notes to the Financial Statements For the Year Ended 28 February 2015

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 7.0% 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
<u>Land and Improvements - 2014 Year</u>			
Cost - March 1995	355,408	-	355,408
Accumulated Depreciation	(16,733)	(70)	(16,803)
Net Book Value	<u>338,675</u>	<u>(70)</u>	<u>338,605</u>
 <u>Land and Improvements - 2015 Year</u>			
Cost - March 1995	355,408	-	355,408
Accumulated Depreciation	(16,803)	(61)	(16,864)
Net Book Value	<u>338,605</u>	<u>(61)</u>	<u>338,544</u>

The latest capital value set by Quotable Value for rating purposes in July 2014 was \$842,000

Portobello Forest Partnership

Notes to the Financial Statements For the Year Ended 28 February 2015

	<u>Feb 2015</u>	<u>Feb 2014</u>
	\$	\$
8. CASH FLOW RECONCILIATION		
<u>Reconciliation of Cash Flows from Operating Activities.</u>		
Reported Surplus for Year	144,604	353,299
Non Cash Item - Depreciation	61	70
Non Cash Item - Forest Revaluation	<u>(161,000)</u>	<u>(389,000)</u>
	(16,335)	(35,631)
 Movements in Working Capital:		
(Increase)/Decrease in Accounts Receivable	-	-
Increase/(Decrease) in Accounts Payable	-	-
(Increase)/Decrease in Accrued Interest	(194)	-
(Increase)/Decrease in GST	<u>(766)</u>	<u>(40)</u>
	(960)	(40)
Net Cash Flow from Operating Activities	<u><u>(\$17,295)</u></u>	<u><u>(\$35,671)</u></u>
 <u>Reconciliation of Cash Flows from Financing Activities</u>		
Calls on Participatory Securities	25,200	34,560
(Increase)/Decrease in Calls in Arrears	25	(10)
Increase/(Decrease) in Calls in Advance	<u>362</u>	<u>-</u>
Net Cash Flow from Financing Activities	<u><u>\$25,587</u></u>	<u><u>\$34,550</u></u>

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 100% equity finance from the partners.

Portobello Forest Partnership

Notes to the Financial Statements For the Year Ended 28 February 2015

10. EVENTS AFTER BALANCE DATE

There have been no significant events after balance date.

11. EMISSIONS TRADING SCHEME

Portobello Forest Trustee Limited has replaced Foundation Corporate Trust as trustee holding the Partnership land as registered proprietor in trust for the Partnership. Portobello Forest Trustee Limited holds 62,260 NZUs (2014 - 52,440) 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 2015 is \$367,334 (2014 - \$165,186)

During the year, 6,315 NZU's were sold, and 8,176 ERU credits were purchased and surrendered to extinguish deforestation liability. Of the 62,260 NZU Units held at balance date, 46,125 are able to be sold without liability for future repurchase on harvest.

12. CAPITAL COMMITMENTS & CONTINGENT LIABILITIES

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

13. RELATED PARTIES

The partnership paid administration fees of \$3,918 and management fees and forest expenses of \$15,289 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 (2014 - \$0). No related party debts have been written off or forgiven during the year.

14. 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

Portobello 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:

Portobello Forest Partnership

Notes to the Financial Statements For the Year Ended 28 February 2015

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 later in 2015.

15. PARTNERSHIP STRUCTURE

Partners have subscribed for Participatory Securities in the Partnership. The number of Participatory Securities 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 Participatory Securities 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 19 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.

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

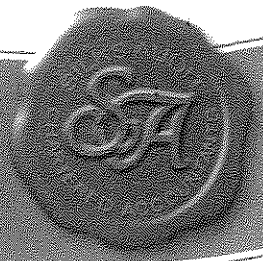
The partnership believes there will be no effects from accounting standards which have been issued but not yet effective.

Portobello Forest Partnership

Notes to the Financial Statements For the Year Ended 28 February 2015

17. PARTNERS SCHEDULE AND TAX LOSSES IRD NUMBER- 064-888-161

	EQUITY ACCOUNTS				TAX RETURN	
	Balance 2014	Calls for Year	Sales Entries	Profit or Loss	Balance 2015	Share of Tax Loss
Alberi Limited	68,199	1,050	-	-	69,249	656
Bain, C M	55,205	850	-	-	56,055	531
Bampfylde, J S W	73,882	1,138	-	-	75,020	710
Birss, S F	68,199	1,050	-	-	69,249	656
Bowler, W B	68,199	1,050	-	-	69,249	656
Browne, S E	55,228	850	-	-	56,078	531
Built, Estate J W	71,041	1,094	-	-	72,135	683
Clarke, G D	75,588	1,164	-	-	76,752	727
Clougher, L L as Trustee	68,199	1,050	-	-	69,249	656
Cooper, C & P	38,192	588	-	-	38,780	367
Faith, A J & S L	35,519	547	-	-	36,065	342
Gowenlock, F B	75,588	1,164	-	-	76,752	727
Harvie, J E	37,123	572	-	-	37,694	357
Hewitt, W	51,418	792	-	-	52,210	494
Jed G Limited	38,647	595	-	-	39,242	372
Lane, J A	35,518	547	-	-	36,065	342
Lee Pee Limited	211,741	3,260	-	-	215,001	2,036
Lyall Investments Limited	71,041	1,094	-	-	72,135	683
Radiata Technologies Limited	40,119	618	-	-	40,737	386
Rossdhu Limited	71,041	1,094	-	-	72,134	683
Roylance, P & S	71,041	1,094	-	-	72,135	683
Rutledge Radiata Limited	68,199	1,050	-	-	69,249	656
Slater, C P	34,100	525	-	-	34,625	328
Stephen-Smith, E	14,008	216	-	-	14,224	135
Wallop Portobello Limited	34,100	525	-	-	34,625	328
Warwick, B S	68,199	1,050	-	-	69,249	656
Young, R D	37,451	577	-	-	38,027	360
Roger Dickie No 19 Limited - see Note 15	(162)	-	-	-	(162)	656
	1,636,622	25,200	-	-	1,661,822	16,396
Retained Earnings	2,504,023	-	-	144,604	2,648,628	
Total Equity	4,140,645	25,200	-	144,604	4,310,450	



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INDEPENDENT AUDITOR'S REPORT

To the Partners of Portobello Forest Partnership

Report on the Financial Statements

We have audited the financial statements of Portobello Forest Partnership on pages 1 to 13 which comprise the statement of financial position as at 28 February 2015 and the statement of comprehensive income, statement of changes in equity and cashflow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Administrator's Responsibility for the Financial Statements

The administrator is 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 administrator determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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). 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, the partnership.

Opinion

In our opinion the financial statements of Portobello Forest Partnership for the year ended 28 February 2015 give a true and fair view of the financial position of the Portobello Forest Partnership as at 28 February 2015 and of its financial performance and its cash flows 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 the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 28 February 2015:

- (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 partnership as far as appears from our examination of those records.

Silks Audit
Chartered Accountants
Wanganui, New Zealand

Date: 22 June 2015