Forest Partnership Report

20 March 2015

Hello,

The forest estate is in good heart after what has been one of the most glorious summers for a number of years. The golden weather has kept coming and even Cyclone Pam turned out to be a storm in a teacup for the forests, bringing with it nothing more serious than some much needed rain and windy conditions and causing no damage to the forests.

This year is significant as it marks the commencement of the harvest of the first forest we planted. Waikare Forest was planted in 1989 inland from Waitotara in South Taranaki.

The decision has been made by the owners of the forest to start harvest at age 26 and the recoverable volume already looks to exceed the forecast yield at age 28. This is a very promising start to what is going to become a growing harvest phase for our forests. The harvest of Waikare will take three to four years with the majority of the logs going to Port Taranaki for export to China.

It is therefore pleasing to note that log prices are at a good level presently. There is strong demand for higher value pruned and A Grade logs in the domestic market while the export market has moved sideways for the Chinese New Year. This move has been softened by favourable freight rates and a weaker NZ$ which have kept the at wharf gate (AWG) prices showing a slight increase on last month. Most market commentators forecast demand will remain strong from China. One of our Indian contacts (a major log buying firm there), anticipates New Zealand sales there to triple or quadruple in the next few years.

Carbon Market – Emissions Trading Scheme

NZUs are presently sitting at $6.20 + with little seller interest at present. It seems most forest owners are choosing to wait and see what happens with the price post May 2015 when Kyoto units such as ERUs and CERs can no longer be used in the NZETS.

The ETS is due to be reviewed this year however, the government has not announced when this will take place.

Recent reports from the forest industry have highlighted some of the weaknesses around New Zealand’s climate change policies. These include:

- Policies need to recognise the role of forests and wood products in combating climate change
- The carbon price needs to reflect the holistic values of tree planting
- A recent MPI survey shows that seedling sales are declining which means New Zealand is in a net deforestation situation. On each of the last two years, approximately 10,000 hectares have been deforested. If the current harvesting rate is not offset by replanting, New Zealand will miss its 2020 emission targets
- While New Zealand emission reductions may have a very small impact on global warming, they have a significant impact on our clean and green image. This image drives our food exports, tourism and of course is reflected in our lifestyle. In a greenhouse gas aware marketplace, our greenhouse gas footprint becomes a critical criteria for consumers

The Forest Owners Association are calling on the government to call an urgent meeting of primary sector leaders and iwi to deal with the country's greenhouse gas emissions blow out.

Forest Valuations

PF Olsen's have carried out the 2015 forest valuations for inclusion in the February 2015 financial accounts.

As at 2015 the market value of the collective tree crop assets of Roger Dickie forest estates were valued at $312.21 million. An increase of $22.47 million. This valuation is an estimate of the market value of the tree crops assessed using a discount rate of 7%.

The total net stocked area assumed by PF Olsen is 26,708.4 hectares with a weighted average age of the tree crop is 17.9 years.

Liability Free NZU's - resolution

Last year we put forward a special resolution to see if those forest partnerships that have liability free NZU's wanted to sell 5,000 NZU's to fund all or part of the 2015 - 2016 forest expenses. Being a special resolution, it required a 75% voter participation, with over 50% in favour of the resolution. Despite the hard work by our office, not all forest partnerships were able to reach the 75% and were therefore unable to take part in the sale of the NZU's.

Even with some forests selling the 5,000 liability free NZU's, they still have a very small share call. At this year's AGM we are seeking a resolution to progressively sell the liability free NZU's to cover the forest expenses and to give the forest partnerships that missed out last year, the same opportunity.

Retirement and appointment of Partnership Manager - resolution

As previously advised, the Financial Markets Conduct Act 2013 (FMCA) was passed at the end of 2013 and is coming into force in stages. The FMCA fundamentally changes the laws that regulate the governance of managed investment schemes, including your Partnership. Amongst other things, it requires managers to hold licenses issued by the Financial Markets Authority, and for deeds of participation to contain specific information. The FMCA will apply to your Partnership from 1 December 2016, unless we elect to enter into the regime in respect of the Partnership earlier.

At this stage our thinking is that our investors' interests are best served by an early election, i.e. prior to 1st December 2016 and we are working to achieve this.

We are now taking the first major step, which is to change the current manager and administrator to a newly incorporated company, formed specifically for the purposes of FMCA compliance. You will notice the new proposed manager has the same name as the current manager. We have done a name swap to ensure continuity of the brand, but of course this change of name cannot operate to change the manager. This change requires the partners' approval, by ordinary resolution.

The reason for the need to make the name swap is to enable other Roger Dickie business interests to continue to operate as Roger Dickie Enterprises Limited and Roger Dickie (N.Z.) Limited can operate solely as the manager of the Partnerships.

The next significant step in the Partnership's transition to the FMCA will be to ensure that the Partnership's Deed of Participation complies with the FMCA. This will require adoption of a new deed which we will do at a subsequent meeting. We will keep you informed of progress.

Budget and increase of Administration Fee and Legal Fees

We are working to comply with the FMCA and are particularly mindful of the compliance costs.

As previously discussed we have the resolution for the retirement and appointment of a new Partnership Administrator and we need to ensure that the Forest Partnership's Deed of Participation complies with the FMCA, we have allowed $600 per partnership for legal fees.

We are being very careful in what work is needed. In conjunction with the Foundation Corporate Trust and our lawyers, we are trying to manage the processes within our offices as much as possible and engage with our lawyers only when absolutely necessary.

Updated Forest Cashflows

There are a number of forests that are nearing harvest and the original forest cashflow is out of date.

We are looking to update those cashflows for those forests only to give a snap shot of the type of income, expenses net revenue the forest might generate if it was to be harvested based on current prices.

Secondary Market

If a partner wishes to sell their participatory securities, under the rules the securities must in the first instance be offered to the other partners under the pre-emptive rights clause.

History shows that they generally get taken up to varying degrees within that forum. Any residual securities can then be offered outside the partnership on the secondary market.

Secondary Market Securities currently available;

- Bayview Forest - established in 1992
- Castle Rock Forest - established in 1994
- Cricklewood Forest - established in 1993
- Glen Alvon Forest - established in 1995
- Kingswood Forest - established in 1995
- Quail Ridge Forest - established in 1993
- Turnbridge Forest - established in 1994
- Windsor Forest - established in 1999
- Woodleigh Forest Ltd - established in 1996
- Woodside Forest - established in 1996
- Young Nicks Forest - established in 1997

We also have shares available in our dairy farms.

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

FOREST VISITS

The partners are reminded that if you wish to visit your forest at any time please ring the FMNZ office in Napier on 06 843 3770.

You always welcome to visit your forest however, FMNZ run a permit system and need to keep track at all times when anyone is in the forests. Your co-operation is appreciated.

Regards

Roger Dickie

Roger Dickie New Zealand Ltd.

Windermere Forest Annual Report

March 2015

Prepared by : Adam Sewell
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Roger Dickie New Zealand Ltd.

Windermere Forest Annual Report

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1. Summary

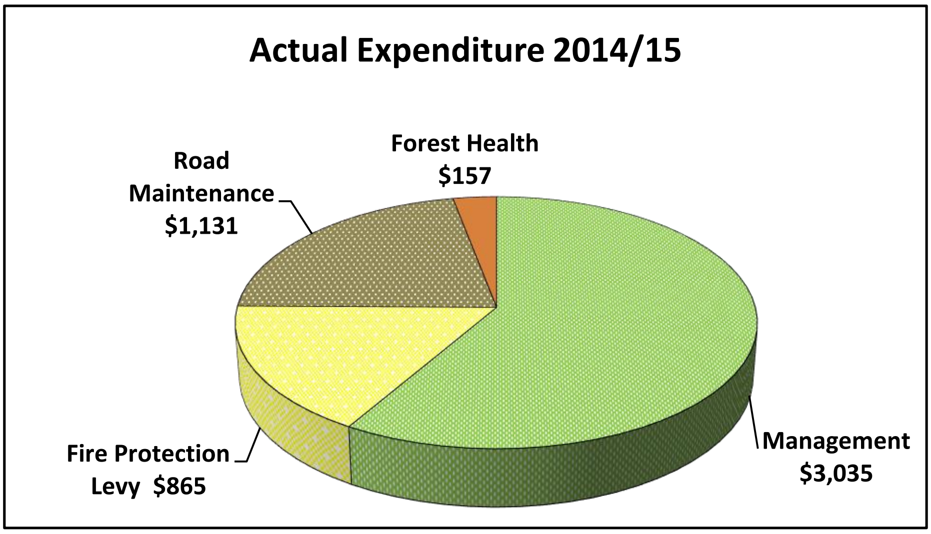
Financial Summary

Forest expenditure was lower than budgeted primarily due to lower than forecast management fees and contingency items not being required. Budget variance by operation is explained below.

Budget	$8,681
Actual	$5,189
Variance	$3,492
	(40%)

Operational Summary

Road maintenance, pest control, and forest health monitoring were the only operations conducted over the last year. Road maintenance focused on removal of windthrown trees to maintain access for forest management and fire control. Possum control was undertaken by one of the partners to keep numbers low as required by the Hawkes Bay Regional Council.



2. Forest Operations

Budget Variance

Budget variances for the financial year are summarised below.

Operation	Budget ($)	Actual ($)	Variance (%)	Comments
Road maintenance	2,850	1,131	(60)	Removal of windthrown trees to maintain access.
Fire levies	866	865	-	As budgeted.
Forest health	215	158	(27)	Annual survey completed by SPS Biosecurity Ltd. No action required. Please see full report attached.
Security	250	-	(100)	Contingency item not required.
Management	4,500	3,035	(33)	Regular forest inspections.
Total	8,681	5,189	(40)	

Forest management

Forest management functions undertaken throughout the year included:

- Regular forest inspections.
- Facilitate and escort forest inspections with forest partners.
- Aerial inspections following severe weather events in September and October.
- Assisting with annual health inspection.
- Investigate security issues.
- Annual report and budget.
- Eastland Wood Council representation.

The forest is in good condition overall. Some needle cast was present throughout spring but the incidence was relatively minor and the forest is recovering well with no remedial work required.

Several severe wind events hit the region in September and October 2014. Only minor windthrow was sustained within Windermere Forest and all tracks were cleared following these storms and are now open.

A forest inspection was undertaken by some partners prior to the AGM. Other partners have also inspected the forest since the AGM.

There have been multiple trespass events over the last 12 months. These have been followed up with JNL and have now reduced in frequency.

Forest Health

PF Olsen engaged the services of SPS Biosecurity, an independent expert in forest health, to assess the health of Windermere Forest. Please see their report attached. There are no major issues requiring action.

Please note that the structure for conducting annual forest health surveys has now changed. These will be conducted at a national level and may not involve the survey of all forests annually and thus forest owners will not receive an annual forest health report. However, PF Olsen can assist forest owners to commission a forest health survey of their forest by an independent expert if required. PF Olsen will also continue to monitor any major health issues.

The change has come about due to the need to ensure all forest owners contribute fairly to the development of the industry. The new forest health surveillance programme will be funded through the Forest Growers Levy. The levy will be applied to all harvested wood products.

Please visit the Forest Growers Levy Trust's website for more details.

http://fglt.org.nz/work-programme/forest-health-surveillance

3. Industry News

Eastland Wood Council

PF Olsen is a major contributor and financial supporter of the Eastland Wood Council (EWC). The EWC is an advocacy group primarily focussed on improving the operating environment for forestry in the region and improving the public's awareness and image of forestry.

Current key projects for the EWC include;

- 'Share the Road' Programme. Representatives from the region's major forest companies visit local schools presenting a safety message in regard to sharing the road with harvesting and general traffic. This has been well-supported by regional trucking firms and feedback from schools has been excellent.
- Drug & Alcohol education and implementation of regional testing for drug and alcohol use within the industry. All EWC members have testing programmes and regularly undertake random testing.
- Continuous lobbying and submissions to regional council to ensure the forestry industry is equitably treated in respect to rates and by-laws.
- EWC co-ordinates and sponsors the annual regional forestry awards. PF Olsen also provides sponsorship to this very successful event. The award ceremony recognises outstanding performance within the industry and also promotes forestry, which is important for future recruitment and to raise the profile of the industry.
- EWC participate in school career expos, and organises industry visits for students, teachers and parents.

Eastland Port

A key focus for the forest industry during 2014 was continuation of negotiations with Eastland Port Ltd to review port costs.

EWC members have formed a small group led by Peter Clark (PF Olsen CEO) to engage with port management to discuss port costs, efficiencies and ongoing capital development and expenditure. This has been encouraged by the Commerce Commission.

Controlling costs within the supply chain is very important as each additional $1.00 reduces stumpage by approximately $600/ha for the forest owners.

Harvesting and marketing

Log market volatility was quite high during the 2014 calendar year. Early 2014 saw very high export log prices carried over from 2013 which was led by demand from the Chinese market.

High pricing led to increased supply from many countries and monthly log inventory in China built from 2.5 million tonnes to over 4.5 million tonnes. This resulted in a very sharp decrease in 'at wharf gate' export log pricing in April 2014. Export log pricing gradually improved over the later part of 2014 and has been quite strong during early 2015. The resurgence of the NZ log price has occurred for a number of reasons including reduce log inventories on Chinese ports, favourable FOREX rates and lower shipping costs.

An increase in the pruned log price ex Eastland Port to between $160 - $170/T has been particularly encouraging.

PF Olsen Gisborne harvested and marketed approximately 360,000 tonnes during 2014 with 360,000 projected for 2015.

4. Health and Safety

Principals Duties

Publicity and political interest in the forest industry's safety performance and environmental impact is increasing. The recent Independent Forestry Safety Review highlights the critical role and responsibilities of forest owners (principal's duties). In simple terms, forest owners have a legislative requirement to ensure that they have applied due care in ensuring that work done on their land, or in their forest, is done so in a safe manner in compliance with the law. There are similar requirements regarding environmental law. Forest owners have to ensure that they know what their obligations are and that they have taken all reasonable steps to ensure parties they employ to undertake work for them are competent for the job and doing it correctly.

Some forest owners may have the time, dedication and capability to become conversant with the relevant legislation, regulations, codes of practice, consent conditions, best management practices and operating procedures, and apply them to the management of operations, to adequately discharge their duties without assistance from professionals. In most instances, however, this is unrealistic, especially with an ever-changing operating environment and legislation.

The alternative is to do a really good job in ensuring that the parties forest owners engage to manage or do their work are themselves really good at health and safety and environmental management. This should include:

- Evaluation of the party's management systems, including looking at key performance indicators such as safety and environmental performance and comparisons to benchmarks.
- Selection of credible parties with a good track record. How long has the party been operating and for whom? Review testimonials or references from prior work or other clients.
- Seeking evidence of the party's skills, experience, resources and capability.
- A formal, well-written engagement agreement (contract) detailing the party's obligations.

No longer can forest owners divorce themselves from risks simply by contracting any old third-party and "leaving it up to them". Forest owners will face the risk of statutory breach if they engage parties who cannot identify the risks pertinent to a particular project/block and who don't have the proven expertise and capacity to manage them appropriately.

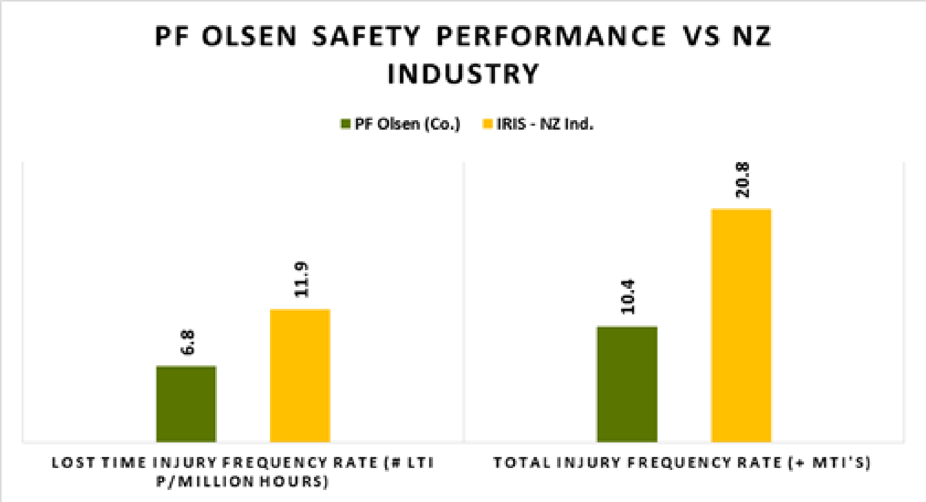
PF Olsen & principals duties

PF Olsen implements the following processes to meet its', and forest owners', health and safety management obligations and responsibilities:

- Has a comprehensive Health and Safety Management System.
- Ensures that any contractor it engages has its own comprehensive Health and Safety Management System.
- Employs suitably skilled, qualified and trained professionals to plan and manage operations in client forests.
- Employs a highly competent specialist Health and Safety Manager, Nic Steens.
- Uses formal written agreements to engage all contractors.
- Engages qualified and trained contractors to undertake operations within client forests.
- Scopes the work, identifies the hazards on the work site related to the operation and puts appropriate controls in place to manage these hazards.
- Inducts and audits its own personnel and contractors to safely mobilise them at commencement of operations and to monitor compliance during operations.
- Maintains its management systems to the ISO 9001:2008 standard.
- Is routinely subjected to audit by external parties.
- Develops and communicates safety initiatives and programmes such as Safety Champions, Safe Start and Zero Tolerance.
- Is a member of the Safety Leadership Forum and various other safety committees, councils and other industry groups.
- Works closely with the Accident Compensation Commission, WorkSafe (formerly the Dept. of Labour) and Competenz on health and safety programmes and partnerships.
- Administers a comprehensive drug and alcohol – free workplace programme.
- Monitors and reports on key health and safety statistics.

PF Olsen's performance

PF Olsen measure lost time injury frequency (LTIFR) and total injury frequency (TIFR) and contribute to the incident recording information system (IRIS) to monitor performance against the NZ forest industry. Injury rates within PF Olsen are significantly lower than the nationwide IRIS average. The following graph shows PF Olsen's current health and safety performance rating.



5. Environmental News

PF Olsen's performance

PF Olsen, takes its environmental performance seriously. However, many in our stakeholder communities have little idea of what steps we take to manage the environmental aspects of our business. A document is provided with this annual report to give a brief insight, warts and all, into what we do.

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20 March 2015

Roger Dickie (NZ) Ltd
PO Box 43
Waverley

Windermere Forest Partnership
Tree crop valuation

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

The tree crop market value is estimated as at 31 December 2014 at:

$4,081,000 plus GST (if any)

The current productive net stocked area is estimated at 192.8 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 7.0%. 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 (2015) 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 2015" 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 2015, as achieved at the ports in Gisborne and Napier. 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	2,925
Update area	2,925
Advance date one year	3,189
Update yields	4,163
Update costs	3,918
Update log prices	4,058
Update discount rate/inflation assumptions	4,081
Tree crop value this year	**4,081**

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 are the result of changes to the log grade mix. This results from using improved growth and yield models, and from calibration with actual yields from the harvesting of similar crops.

The costs for tending, logging, 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 logging, 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 also reduced the assumed rate of future inflation applied in the value assessment. This change increases the present value of the cost of bush tax credit for a potential purchaser, thereby increasing the market value estimate of the crop.

Harvest revenue
Based on the assumptions adopted for the purpose of this valuation, the owner of Windermere forest is projected to receive a total net stumpage revenue of approximately $ 8,170,000 in year 2022.

This projected stumpage revenue is expressed in 2015 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.

FOREST PARTNERSHIP SUPERVISION UPDATE

March 2015

Legislative changes

the impact on your partnership

Registration

Registration under the new Financial Markets Conduct Act 2013 (FMCA) is underway. The Financial Markets Authority ("FMA") has been impressing upon all forest supervisors the benefits of achieving forest registration early.

The FMA has taken on significant additional resources to process applications up to the registration due date of December next year. They are encouraging early registration noting that this will allow time to work through any difficult issues - much more so than next year when the volume of registrations may preclude individualised service.

Custodianship

As part of encouraging early registration the FMA has released guidance on how custodial arrangements should be formed under the new legislation.

Under section 156 of the FMCA the custodian of a registered scheme must hold the scheme property. To meet external custodianship requirements, the custodian must be a body corporate and cannot be the same person as the manager. The custodian is responsible for prudential custody; refusing to act in breach of the scheme's governing document and interests of the scheme's participants.

While the custodian will normally be the Supervisor there are provisions for contracting the role out. As contracting party the Supervisor would be jointly and severally liable with the custodian for the performance of the custodial function.

The recent guidance material places emphasis on scheme property being held in a way that ensures that it is not available for payment of debts or creditors of the custodian. Record keeping must identify

Foundation CORPORATE TRUST

New Zealand's only full service, stand alone, corporate trustee

There has been a great deal of change in our industry - new rules which today provide us with a bigger toolkit to empower us to ask the right questions, to look deeper.

We take a proactive approach to safer investment, working closely with issuers to help them to be more accountable and enabling their investors to have better trust and security in their investment.

scheme property showing when it was received and details of any disposals. To ensure that the custodian's records accurately state property holdings, regular reconciliation of scheme holdings must be undertaken. Also, within four months of the close of the financial year the custodian must obtain an assurance report from a licenced auditor or registered audit firm. The objectives of the assurance report are as follows:

- transactions are authorised, processed and recorded in an appropriate, accurate and timely manner

- scheme property is held in accordance with the FMCA and Regulations, and the governing document

- records and changes to records relating to the scheme are accurate and kept up to date in an appropriate and timely manner, and in accordance with the FMCA and Regulations, and the governing document

- there are adequate safeguards against the loss, misappropriation and unauthorised use of scheme property

- sub-custodians are appropriately approved and managed, and are adequately monitored

- reports of holdings of scheme property are complete and adequate, and provided within the timeframes specified in the FMCA and Regulations, and the governing document

- information technology systems and processes are appropriate to allow the custodian to accurately and reliably meet the objectives set out above.

Keeping costs down

Like you we are concerned about the additional work load brought on by new legislation and the extra cost placed on forest partnerships that in many cases are already finely balanced.

We have been automating as many of our processes as possible so that time we would have spent on administration can shift into the new areas of responsibility. For the automation to work we are reliant on our clients submitting data to us electronically and taking responsibility for completing transactions.

There are still many details to be worked through. We are most grateful to our clients, banks and insurers who have been working hard to minimise the cost impacts of the new legislation. Our costs will be going up but with Roger Dickie New Zealand's (RDNZ) help we hope to minimise the increase.

Anti-money laundering

To comply with the Anti-Money Laundering & Countering Financing of Terrorism Act (AML/CFT) RDNZ has implemented an AML/CFT programme which includes a compliance policy and procedure.

New partners must provide proof of identity and residence and existing partners will be required to do the same around harvest time. This is because at that time money will be changing hands and to comply with the law RDNZ will need to formally identify all partners.

Regardless of the perceived level of risk of money laundering in forest partnerships RDNZ must comply and is already ahead of the game as they returned their first AML/CFT annual report in 2014 and their AML/CFT programme has been audited by an external auditor.

Windermere Forest Partnership

Financial Statements
for the Year Ended 28 February 2015

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MARKHAMS WAVERLEY LIMITED
CHARTERED ACCOUNTANTS
WAVERLEY

Windermere Forest Partnership

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

	Feb 2015	*Feb 2014*	*Budget*
	$	$	$
Forest Expenses			
Fire Control	1,297	432	1,166
Forest Health	158	215	215
Management & Supervision Fees	3,522	3,565	6,250
	4,977	4,213	7,631
Operating Expenses			
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	101	73	126
Depreciation for Period	322	346	322
Emission Trading Scheme	1,769	2,101	200
Legal Expenses	17	8	-
Meeting Costs	252	248	300
Repairs & Maintenance - Tracks & Dams	1,131	6,135	2,850
Security	-	-	250
Statutory Supervisor	1,325	1,325	1,325
Subscriptions - Forest Health, Research, Kyoto	47	263	505
Sundry Expenses	256	255	4,000
Valuation - Forest	225	246	255
	13,645	18,742	18,253
Standing Charges			
Insurance - Public Liability	401	401	400
Insurance - Plantations	7,277	7,219	7,950
Rates	4,246	3,830	4,045
	11,925	11,451	12,395
Total Expenses	30,546	34,406	38,279
Less Expenses Recovered			
Interest Received	1,082	1,570	300
Carbon Credit Sales (Net)	1,836	1,777	-
	2,918	3,348	300
Loss for Tax Purposes	(27,628)	(31,058)	(37,979)
Plantation Revaluation Increase (Decrease)	1,156,000	319,000	-
Net Surplus/(Deficit)for Year	1,128,372	287,942	(37,979)
Comprehensive Income	-	-	-
Total Comprehensive Income	$1,128,372	$287,942	($37,979)

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

Windermere Forest Partnership

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

	Note	*Capital Accounts*	*Retained Earnings*	*2015 Total*
Equity as at 1 March 2014		1,605,430	1,715,359	3,320,789
Total Comprehensive Income		0	1,128,372	1,128,372
Total Contributions From Partners		25,920	-	25,920
Total Transactions with Owners		25,920	-	25,920
Equity as at 28 February 2015	17	1,631,350	2,843,731	4,475,081

	Capital Accounts	*Retained Earnings*	*2014 Total*
Equity as at 1 March 2013	1,582,750	1,427,417	3,010,167
Total Comprehensive Income	0	287,942	287,942
Total Contributions From Partners	22,680	-	22,680
Total Transactions with Owners	22,680	-	22,680
Equity as at 28 February 2014	1,605,431	1,715,359	3,320,790

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

Windermere Forest Partnership

Statement of Financial Position
As at 28 February 2015

	Note	Feb 2015 $	Feb 2014 $
Current Assets			
Calls in Arrears		-	30
Cash and Cash Equivalents	4	36,417	37,685
Goods & Services Tax		2,048	2,156
		38,465	39,871
Non Current Assets			
Plantations	5		
Plantation Value		2,925,000	2,606,000
Revaluation for Year		1,156,000	319,000
	6	4,081,000	2,925,000
Property, Plant and Equipment	7		
Land		351,440	351,440
Land Improvements		4,186	4,508
		355,626	355,948
Total Assets		4,475,091	3,320,819
Less Liabilities			
Current Liabilities			
Calls in Advance		10	30
Total Net Assets		$4,475,081	$3,320,789
Represented by:			
Equity	17		
Capital Contributions per Schedule		1,631,351	1,605,431
Retained Earnings		2,843,731	1,715,359
		$4,475,081	$3,320,789

____________________ Partner ____________________ Partner

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

Windermere Forest Partnership

Cashflow Statement
For the Year Ended 28 February 2015

	Note	Feb 2015	Feb 2014
		$	$
Cash Flows from Operating Activities			
Cash was provided from:			
Interest Received		1,082	1,570
Carbon Credit Sales (Net)		1,836	1,777
Goods & Services Tax		108	-
		3,026	3,348
Cash was applied to:			
Operating Expenses		30,224	34,724
Goods & Services Tax		-	628
		30,224	35,352
Net Cash inflow (outflow) from operating activities	8	(27,199)	(32,004)
Cash Flows from Financing Activities			
Cash was provided from:			
Calls on Participatory Securities		25,930	22,586
Net cash inflow (outflow) from financing activities	8	25,930	22,586
Net increase (decrease) in cash held		(1,269)	(9,418)
Cash at Start of Year		37,685	47,103
Cash at End of Year		$36,416	$37,685

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

Windermere 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 Windermere Forest Partnership, which is a Partnership registered under the Partnership Act 1908.

Windermere Forest Partnership is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of Windermere 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 Windermere Forest Partnership has voluntarily entered the Emission Trading Scheme ("ETS") in relation to 193 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.

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 28 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 Windermere Forest Partnership is that of Afforestation. The partnership grows pinus radiata for the purpose of selling the harvest in 2022.

Windermere Forest Partnership

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

	Feb 2015	*Feb 2014*
	$	$
4. CASH AND CASH EQUIVALENTS		
B N Z Current Account	10,538	5,217
B N Z Deposit - Investment Fund	25,879	32,468
	$36,417	$37,685

Deposit - Investment Fund
The deposit is available to fund any future obligation that Windermere Forest Partnership may assume under its arrangement with other partnerships in the Roger Dickie Insurance Group. Windermere 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 Wairoa District. The Net Stocked Area of approximately 193 hectares was planted in 1981 (10ha) and 1994 (183ha).

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.

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

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
Land and Improvements - 2014 Year			
Cost - February 1995	373,527	-	373,527
Accumulated Depreciation	(17,233)	(346)	(17,579)
Net Book Value	356,294	(346)	355,948
Land and Improvements - 2015 Year			
Cost - February 1995	373,527	-	373,527
Accumulated Depreciation	(17,579)	(322)	(17,901)
Net Book Value	355,948	(322)	355,626

The latest capital value set by Quotable Value for rating purposes in August 2012 was $650,000 (Wairoa District Council) and July 2014 was $1,000 (Gisborne District Council)

Windermere Forest Partnership

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

	Feb 2015 $	Feb 2014 $
8. CASH FLOW RECONCILIATION		
Reconciliation of Cash Flows from Operating Activities.		
Reported Surplus for Year	1,128,372	287,942
Non Cash Item - Depreciation	322	346
Non Cash Item - Forest Revaluation	(1,156,000)	(319,000)
	(27,306)	(30,712)
Movements in Working Capital:		
Increase/(Decrease) in Accounts Payable	-	(664)
(Increase)/Decrease in GST	108	(628)
	108	(1,292)
Net Cash Flow from Operating Activities	($27,199)	($32,004)
Reconciliation of Cash Flows from Financing Activities		
Calls on Participatory Securities	25,920	22,680
(Increase)/Decrease in Calls in Arrears	30	(30)
Increase/(Decrease) in Calls in Advance	(20)	(64)
Net Cash Flow from Financing Activities	$25,930	$22,586

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.

10. EVENTS AFTER BALANCE DATE

There have been no significant events after balance date.

11. EMISSIONS TRADING SCHEME

Windermere Forest Trustee Limited has replaced Foundation Corporate Trust as trustee holding the Partnership land as registered proprietor in trust for the Partnership. Windermere Forest Trustee Limited holds 53,691 NZUs (2014 - 44,177) 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 $316,777 (2014 - $139,158)
During the year, 1,084 NZU's were sold, and 5,449 ERU credits were purchased and surrendered to extinguish deforestation liability on 53,691 NZU Units held at balance date.

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 $9,842 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
Windermere Forest Partnership is one of approximately 90 forests administered by Roger Dickie (NZ) Limited using a common forest manager, Forest Management New Zealand (FMNZ) and a common valuer PF Olsen Limited. With a forestry estate of this size PF Olsen is able to carry out rotational checks on selected forests to validate the accuracy of forest data that FMNZ provides for the purposes of the forest valuation.

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

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

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

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

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

Inspects a subset of forests each year.

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

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

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

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

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

Have relied on a systems audit of FMNZ carried out in the late 90's. Have an understanding that their systems for data collection and storage remained relatively constant throughout the tending stages of the forests.

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 13 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.

Windermere Forest Partnership

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

17. PARTNERS SCHEDULE AND TAX LOSSES
IRD NUMBER- 062-367-024

	EQUITY ACCOUNTS					TAX RETURN
	Balance 2014	Calls for Year	Sales Entries	Profit or Loss	Balance 2015	Share of Tax Loss
Balderstone Forestry Limited	66,894	1,080	-	-	67,974	1,105
Capacino Investments Limited	66,894	1,080	-	-	67,974	1,105
Dashwood Green Company Limited	66,894	1,080	-	-	67,974	1,105
Easton Apples Limited	81,513	1,316	-	-	82,829	1,347
G A & J Dixon Forests Limited	93,705	1,513	-	-	95,218	1,548
Gould, B M	35,605	575	-	-	36,180	588
Gould, JW	35,605	575	1,813	-	37,993	618
Hickling, J A	33,447	540	-	-	33,987	553
Higgs K	33,447	540	-	-	33,987	553
J L Black Investments Limited	68,259	1,102	2,864	-	72,225	1,174
Jackman Windermere Forestry Inv Ltd	66,894	1,080	-	-	67,974	1,105
Kiwi Lumberjack Limited	133,788	2,160	-	-	135,948	2,210
L Walton Forestry Limited	14,993	242	-	-	15,235	248
Marshall, C P	66,894	1,080	-	-	67,974	1,105
McIntosh, N R	68,259	1,102	-	-	69,361	1,128
McKenzie, W F	68,388	1,104	-	-	69,492	1,130
Mehrtens, K	54,795	885	-	-	55,680	905
Norddal Forestry Limited	101,567	1,640	-	-	103,207	1,678
Osborn Forests Limited	70,489	1,138	-	-	71,627	1,165
Seitz, Heinz-Dietmar	61,542	994	-	-	62,536	1,017
Sutcliffe, P J	66,894	1,080	-	-	67,974	1,105
Wakelin, R L	63,697	1,028	(25,069)	-	39,656	645
Wakelin, PL & AE & Waterford Trustee Services Ltd as Trustee	-	-	18,126	-	18,126	295
Wallace Forests Limited	63,442	1,024	2,266	-	66,732	1,085
Williams, H	52,481	847	-	-	53,328	867
Woodworx Limited	69,070	1,115	-	-	70,186	1,141
Roger Dickie No 13 Limited - see Note 15	(27)	-	-	-	(27)	1,105
	1,605,431	25,920	-	-	1,631,351	27,628
Retained Earnings	1,715,359	-	-	1,128,372	2,843,731	
Total Equity	3,320,789	25,920	-	1,128,372	4,475,081	