

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
FOREST PARTNERSHIP
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2008

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**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
FOREST PARTNERSHIP
DIRECTORY
FOR THE YEAR ENDED 31 MARCH 2008**

Nature of Business: Forestry

Board of Directors: Peter Bradney Bould
Eoin Malcolm Miller Johnson
Anthony Sydney Loveday
Peter Tiedemann

Bankers: National Bank of New Zealand
Auckland

Business Address: 300 Richmond Road
Grey Lynn
Auckland

Solicitors: Castle Brown
L4 19 Morgan Street, Newmarket
Auckland

Auditors: UHY Haines Norton
Chartered Accountants
15 Edsel Street
Henderson
Auckland

AUDIT REPORT

TO THE PARTNERS OF SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY – FOREST PARTNERSHIP

We have audited the financial statements on pages 3 to 12. The financial statements provide information about the past financial performance of the special partnership and its financial position as at 31 March 2008. This information is stated in accordance with the accounting policies set out on pages 7 to 8.

Directors' Responsibilities

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the special partnership as at 31 March 2008 and of the results of operations for the period ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the special partnership's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have also formatted the financial statements and notes to the accounts. We have no other relationship with or interests in the special partnership.

Unqualified Opinion

We have obtained all the information and explanations we have required:

In our opinion:

- Proper accounting records have been kept by the special partnership as far as appears from our examination of those records; and
- The financial statements on pages 3 to 12:
 - comply with generally accepted accounting practice;
 - comply with International Financial Reporting Standards
 - give a true and fair view of the financial position of Silverwood Forest Corporation Limited and Company – Forest Partnership as at 31 March 2008 and the results of its operations for the year ended on that date.

Our audit was completed on 28 July 2008 and our unqualified opinion is expressed as at that date.

UHY Haines Norton

UHY Haines Norton
Auckland

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**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
FOREST PARTNERSHIP
INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008**

	<i>Note</i>	2008 \$	2007 \$
Revenue		-	292,685
Cost of Sales		3,518	70,793
		<u>(3,518)</u>	<u>221,892</u>
Other Operating Income		6,970	9,594
Administrative Expenses		7,422	11,237
Other Operating Expenses	<i>1</i>	9,474	9,804
Operating Profit before Financing Costs		<u>(13,444)</u>	<u>210,445</u>
Financial Income		76,134	63,877
Financial Expenses		-	-
Net Financing Income	<i>2</i>	<u>76,134</u>	<u>63,877</u>
Profit before Tax		62,690	274,322
Income Tax Expense	<i>3</i>	-	-
Net Profit for the period		<u>62,690</u>	<u>274,322</u>

This Statement is to be read in conjunction with the audit report and the notes to the financial statements.



**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
FOREST PARTNERSHIP
STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 MARCH 2008**

	<i>Note</i>	2008 \$	2007 \$
Equity at the beginning of the period	7	<u>1,038,842</u>	<u>766,040</u>
Profit for the Period		<u>62,690</u>	<u>274,322</u>
Total Recognised Income and Expense for the Period		<u>62,690</u>	<u>274,322</u>
Amortisation of Website development costs	11	-	(1,520)
Equity at the end of the period	7	<u><u>1,101,532</u></u>	<u><u>1,038,842</u></u>

This Statement is to be read in conjunction with the audit report and the notes to the financial statements.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
FOREST PARTNERSHIP
BALANCE SHEET
AS AT 31 MARCH 2008**

	<i>Note</i>	2008 \$	2007 \$
Equity			
Partnership Equity	7	1,101,532	1,038,842
Total Partnership Equity		<u>1,101,532</u>	<u>1,038,842</u>
Current Liabilities			
Trade Payable and Accruals		5,412	6,300
Total Liabilities		<u>5,412</u>	<u>6,300</u>
Total Equity and Liabilities		<u>1,106,944</u>	<u>1,045,142</u>
Non-Current Assets			
Loan to Silverwood Land Partnership	4,6	831,387	765,729
Total Non-Current Assets		<u>831,387</u>	<u>765,729</u>
Current Assets			
Cash and Bank		1,841	11,386
Trade Receivables		-	816
GST Receivable		1,289	1,754
Capital Distribution		2,000	2,000
Forest Stock	5	270,427	263,457
Total Current Assets		<u>275,557</u>	<u>279,413</u>
Total Assets		<u>1,106,944</u>	<u>1,045,142</u>

For and on behalf of the Board of Directors:

Dated: 28 July 2008

Director

Director

This Statement is to be read in conjunction with the audit report and the notes to the financial statements.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
FOREST PARTNERSHIP
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008**

	<i>Note</i>	2008 \$	2007 \$
<u>Cash Flows from Operating Activities</u>			
Cash was provided from:			
Income from Wind throw claim		-	329,270
GST Received		2,567	11,973
Joint Venture reimbursement		-	10,484
IRD Interest received		2	-
		2,569	351,727
Cash was applied to:			
Payments to suppliers		17,114	99,742
GST paid		-	34,765
		17,114	134,507
Net Cash used in Operating Activities	10	(14,545)	217,220
<u>Cash Flows from Investing Activities</u>			
Cash was provided from:			
		-	-
Cash was applied to:			
		-	-
Net Cash from Investing Activities		-	-
<u>Cash Flow from Financing Activities</u>			
Cash was provided from:			
Transfer from Silverwood Land Partnership		5,000	118,000
Cash was applied to:			
Transfer to Silverwood Land Partnership		-	500,570
Net Cash from Financing Activities		5,000	(382,570)
Net Increase (decrease) in cash held		(9,545)	(165,350)
Opening cash balance		11,386	176,736
Ending Cash carried forward		1,841	11,386

This Statement is to be read in conjunction with the audit report and the notes to the financial statements.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
FOREST PARTNERSHIP
SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2008**

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Silverwood Forest Corporation Limited, being the General Partner of Silverwood Forest Corporation Limited and Company - Forest Partnership, is a company registered under the Companies Act 1993.

Silverwood Forest Corporation Limited and Partnership - Forest Partnership is a Special Partnership registered under the Partnership Act 1908.

Silverwood Forest Corporation Limited is an issuer for the purpose of the Financial Reporting Act 1993. The Financial Statements of Silverwood Forest Corporation Limited and Company- Forest Partnership have been prepared in accordance with the Financial Reporting Act 1993.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to profit-oriented entities. These are the Partnership's first NZ IFRS financial statements and NZ IFRS 1 has been applied. The Partnership is a profit-orientated entity. The Partnership is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

An explanation of how the transition to NZ IFRS has affected the reported financial position and financial performance of the Partnership is provided in note 11.

The financial statements are presented in New Zealand Dollars (NZD). The financial statements are prepared on the historical cost basis for the Partnership.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS Balance Sheet at 1 April 2006 for the purposes of the transition to NZ IFRS.

Inventory

Forest Stock is measured at its fair value less estimated point-of-sale costs at the point of harvest.

Impairment

The carrying amounts of the Partnership's assets other than inventories are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Income Statement.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
FOREST PARTNERSHIP
SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2008**

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount through the Income Statement.

Trade and other Payables

Trade and other payables are stated at cost.

Revenue

Revenue from the sale of goods is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs, or where there is continuing management involvement with the goods.

Expenses

All costs are expensed when the related services has been rendered.

Net Financing Income

Interest receivable on funds invested that are recognised in the Income Statement. Interest income is recognised in the Income Statement as it accrues, using the effective interest method.

Income Tax

The income tax expense recognised in the Income Statement is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior periods.

Goods and Service Tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
FOREST PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

1. OTHER OPERATING EXPENSES

	Note	2008	2007
Operating expenses includes:		\$	\$
Auditors Remuneration		2,800	1,482

2. NET FINANCING COSTS

Interest received	76,134	63,877
Total Financial Income	<u>76,134</u>	<u>63,877</u>
Interest Expenses	-	-
Net Financial Income	<u>76,134</u>	<u>63,877</u>

3. INCOME TAX EXPENSE

Current Tax Expense	-	-
Reconciliation of Effective Tax Rate		
Profit Before Tax	<u>62,690</u>	<u>274,322</u>
Income Tax Using the company Tax Rate	-	-
	<u>-</u>	<u>-</u>

4. LOAN TO SILVERWOOD LAND PARTNERSHIP

Loan to Silverwood Land Partnership	831,387	765,729
	<u>831,387</u>	<u>765,729</u>

Silverwood Forest Partnership loan to Silverwood Land Partnership is unsecured and payable on demand. Interest is charged at 10% per annum on this loan.

5. INVENTORIES

Forest Stock	270,427	263,457
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6 RELATED PARTIES

During the year the following suppliers paid are related parties by being directors of Silverwood Forest Corporation Limited

Invoices received from:	Interested Party:		
Aratas Consulting Services Limited	Malcolm Johnson	1,224	2,200
Peter Bould CA Limited	Peter Bould	1,749	3,444
Tiedemann & Partners	Peter Tiedemann	5,058	20,681
Valley Management Services	Tony Loveday	1,167	3,532
		<u>9,198</u>	<u>29,857</u>

In addition to the above Silverwood Forest Partnership has given a loan to Silverwood Land Partnership. The balance of this loan as at 31 March 2008 is \$831,387 (2007 - \$765,729). Related party loan balance is shown separately in the balance sheet.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
FOREST PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

7. CAPITAL AND RESERVES

	Equity
Balance at 1 April 2006	766,040
Amortisation of Website development costs	(1,520)
Total recognised income & expense	<u>274,322</u>
Balance at 31 March 2007	<u>1,038,842</u>
Balance at 1 April 2007	1,038,842
Total recognised income & expense	<u>62,690</u>
Balance at 31 March 2008	<u>1,101,532</u>

8. CAPITAL AND LEASE COMMITMENTS

There are no capital and lease commitments as at 31 March 2008 (2007 - \$Nil)

9. CONTINGENCIES

Contingent Liabilities as at 31 March 2008 was \$Nil (2007 - \$Nil)

10. RECONCILIATION OF STATEMENT OF CASH FLOWS WITH OPERATING SURPLUS

	2008	2007
	\$	\$
Net Operating Profit / (Loss)	62,690	274,322
<u>Adjusted by items not involving cash flows</u>		
RWT write off	-	10
Website costs	-	1,520
Revaluation of forest stock	(6,970)	(9,583)
Accrued interest in Intercompany Loan	<u>(76,134)</u>	<u>(63,877)</u>
	(20,414)	202,392
<u>Impact of changes in working capital items</u>		
Increase / (decrease) in GST payment due	464	(2,343)
Increase in trade receivables	(816)	816
Increase / (decrease) in trade payables and accruals	888	4,397
Creditors paid by Silverwood Land Partnership	<u>5,333</u>	<u>11,958</u>
	5,869	14,828
Net cash received / (used) in operating activities	<u>(14,545)</u>	<u>217,220</u>

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
 FOREST PARTNERSHIP
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2008

11. EXPLANATION OF TRANSITION TO NZ IFRS

These are the Partnership's first financial statements prepared in accordance with NZ IFRS.

The accounting policies set out in the Notes to the Financial Statements have been applied in preparing financial statements for the year ended 31 March 2008, the comparative information presented for the year ended 31 March 2007 and in the preparation of an opening NZ IFRS Balance Sheet at 1 April 2006 (the Partnership's date of transition)

In preparing its opening NZ IFRS Balance Sheet and restating the 2006 financial statements, the Partnership has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to NZ IFRS has affected the Partnership's Balance Sheet and Income Statement are set out in the following tables and the notes that accompany the tables.

RECONCILIATION OF EQUITY

	Transition Balance Sheet 1 April 2006			Comparative Balance Sheet 31 March 2007			
	Note	Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS
Equity							
Retained Earnings	a	766,040	-	766,040	1,040,362	(1,520)	1,038,842
Total Equity		766,040	-	766,040	1,040,362	(1,520)	1,038,842
Current Liabilities							
Accounts Payable and Accruals		1,913	-	1,913	6,300	-	6,300
Total Liabilities		1,913	-	1,913	6,300	-	6,300
Total Equity and Liabilities		767,953	-	767,953	1,046,662	(1,520)	1,045,142
Non-Current Assets							
Loan to Silverwood Land Partnership		331,237	-	331,237	765,729	-	765,729
Total Non-Current Assets		331,237	-	331,237	765,729	-	765,729
Current Assets							
Cash and Bank		176,736	-	176,736	11,386	-	11,386
Trade Receivables		10	-	10	816	-	816
GST Receivable		4,096	-	4,096	1,754	-	1,754
Website	a	-	-	-	1,520	(1,520)	-
Capital Distribution		2,000	-	2,000	2,000	-	2,000
Forest Stock		253,874	-	253,874	263,457	-	263,457
Total Current Assets		436,716	-	436,716	280,933	(1,520)	279,413
Total Assets		767,953	-	767,953	1,046,662	(1,520)	1,045,142

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
FOREST PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

RECONCILIATION OF PROFIT FOR 2007

	Note	Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS
Revenue		292,685	-	292,685
Cost of Sales		<u>70,793</u>	-	<u>70,793</u>
		221,892	-	221,892
Other Operating Income		9,594	-	9,594
Administrative Expenses		11,237	-	11,237
Other Operating Expenses		<u>9,804</u>	-	<u>9,804</u>
Operating Profit before Financing Costs		<u>210,445</u>	-	<u>210,445</u>
Financial Income		63,877	-	63,877
Financial Expenses		-	-	-
Net Financing Income		<u>63,877</u>	-	<u>63,877</u>
Profit before Tax		274,322	-	274,322
Income Tax Expense		-	-	-
Net Profit for the period		<u>274,322</u>	-	<u>274,322</u>

Transition to NZIFRS

(a) Website Development Costs

Previously capitalised website development costs were written off in the 2007 financial period. As per IAS 16 - Property, Plant and Equipment website development costs can only be capitalised if the Partnership uses its website for direct selling purposes. Consequently an amount of \$1,520 has been written off.

Apart from the above change there were no other NZIFRS adjustments.

