

**SILVERWOOD FOREST CORPORATION
LIMITED AND COMPANY**

LAND PARTNERSHIP

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

PRINCIPAL ACTIVITY
Land Owner

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DIRECTORY

DIRECTORS OF THE GENERAL PARTNER SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY

Peter Bradney BOULD
Eoin Malcolm Miller JOHNSON
Anthony Sydney LOVEDAY
Peter TIEDEMANN

BUSINESS ADDRESS

c/- Tiedemann & Partners
300 Richmond Road, Grey Lynn
PO Box 84 101, Westgate
AUCKLAND

SOLICITORS

Castle Brown
5 Short Street, Newmarket
AUCKLAND

ACCOUNTANTS

Peter Bould CA Limited
44-52 Wellesley Street
AUCKLAND

BANKER

National Bank of New Zealand
485 Great Sout Road, Penrose
AUCKLAND

AUDITOR

Cole-Baker and Company
44-52 Wellesley Street
AUCKLAND

STATUTORY SUPERVISOR

Prince & Partners Trustee Company Limited
50 Anzac Avenue
AUCKLAND

**AUDITOR'S REPORT
TO THE PARTNERS OF
SILVERWOOD FOREST CORPORATION AND COMPANY LAND
PARTNERSHIP**

We have audited the financial statements on pages 3 to 10. The financial statements provide information about the past financial performance of the company and its financial position at 31 March 2006. The information is stated in accordance with the accounting policies set out in page 8 of the financial statements.

Directors' Responsibilities

The directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the company as at balance date and the results of operations and cashflows for the year ended 31 March 2006.

Auditor's Responsibilities

It is our responsible to express an independent opinion on the financial statements presented by the Board and reporting our opinion to the partners.

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 circumstances of the company, consistently applied and adequately disclosed.

We have conducted our audit in accordance with New Zealand Auditing Standards. 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 obtain 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.

We have no relationship with or interest in the Company other than in our capacity as auditors.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements on pages 3 to 10:
 - comply with New Zealand accepted accounting practice; and
 - give a true and fair view in accordance with the accounting policies described in page 8 of the financial statements of the financial position of the company as at 31 March 2006 and the results of its operations and cashflows for the year ended on that date.

Our audit was completed on 11 August 2006 and our opinion is expressed as at that date.

AUCKLAND 11 August 2006


for COLE-BAKER AND COMPANY
Chartered Accountants

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2006

	2006	2005
	\$	\$
<u>OPERATING EXPENDITURE</u>		
Administration Expenses		
Accounting	6,626	5,384
Audit	2,205	4,500
Statutory Supervisor		269
Administration, Printing and Stationery	8,296	8,448
General Expenses	1,643	2,988
Travel	5,418	832
	24,188	22,421
Land Ownership Expenses		
Director's Fees	25,727	26,540
Cash Issue Expenses	-	1,170
Resource Consent	13,664	-
Land Management Issues	79,332	68,150
	118,723	95,860
Interest Expense		
Interest on Bradwood Loan	20,341	8,458
Interest Bank	2	-
Silverwood Forest P'ship Loan	3,063	116
	23,406	8,574
TOTAL OPERATING EXPENDITURE	166,317	126,855
<u>OTHER INCOME</u>		
Interest & Other		
Interest Received		1
Sundry income / refund	444	9000
Revaluation of Land		
Land at Whitby	(Note 6) 464,750	845,250
	465,194	854,251
NET SURPLUS/ (DEFICIT)	(Note 8)	298,877
		727,396

These financial statements are to be read in conjunction with the notes to the Financial Statements and the Audit Report.

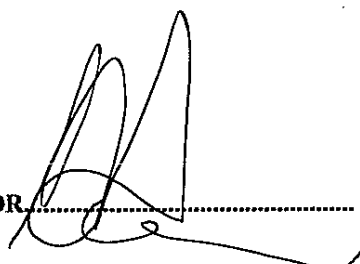
SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2006

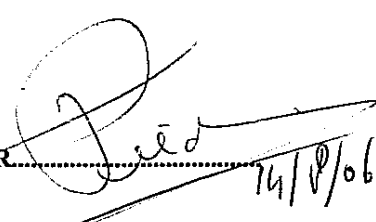
		2006	2005
		\$	\$
PARTNERSHIP EQUITY AT BEGINNING OF THE YEAR		4,545,896	3,818,500
SURPLUS/(DEFICIT)			
Net operating deficit	(Note 3)	(165,873)	(126,854)
Movement in asset revaluation	(Note 3)	464,750	854,250
OTHER MOVEMENTS			
Contributions from Partners	(Note 4)	-	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
TOTAL PARTNERSHIP EQUITY AT END OF THE YEAR		<u>4,844,773</u>	<u>4,545,896</u>

These financial statements are to be read in conjunction with the notes to the Financial Statements and the Audit Report.

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2006

	2006	2005
	\$	\$
TOTAL PARTNERSHIP EQUITY	4,844,773	4,545,896
LIABILITIES		
<u>Current Liabilities</u>		
Trade & Sundry Creditors	27,147	61,744
Interest Creditor	-	10,290
Accrued Expenses	<u>11,050</u>	<u>27,420</u>
	38,197	99,454
Short Term Loans		
Loan from Silverwood Forest Partnership	331,237	-
Loan from Bradwood Forest Limited (Note 5)		100,000
Loan from Whitby Corporation Limited	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	331,237	100,000
<u>TOTAL FUNDS INVESTED</u>	<u>5,214,207</u>	<u>4,745,350</u>
REPRESENTED BY:		
<u>Current Assets</u>		
GST Refund Due	9,263	3,435
General Partner - Funds Held in Trust		
National Bank of New Zealand - Current A/c	4,933	6,655
Trade and Sundry Debtors	<u>11</u>	<u>11</u>
	14,207	10,101
<u>Non Current Assets</u>		
Land (Note 6)		
Cost of Land	902,696	902,696
Revaluation	<u>4,257,304</u>	<u>3,792,553</u>
	5,160,000	4,695,249
Intangible Assets		
Future Access purchase Options (Note 7)	<u>40,000</u>	<u>40,000</u>
	40,000	40,000
<u>TOTAL ASSETS</u>	<u>5,214,207</u>	<u>4,745,350</u>

DIRECTOR  11/8/06

DIRECTOR  14/8/06

DIRECTORS OF THE GENERAL PARTNER (SILVERWOOD FOREST CORPORATION LIMITED)

These financial statements are to be read in conjunction with the notes to the Financial Statements and the Audit Report.

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2006

		2006 \$	2005 \$
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash was provided from:	Various	500	9000
	Net GST Received	14,016	-
	Interest Received	-	1
		<u>14,516</u>	<u>9,001</u>
Cash was applied to:			
	Net GST Paid	-	516
	Interest Paid	30,632	-
	Payments to Suppliers	<u>215,605</u>	<u>100,991</u>
		246,237	101,507
Net Cash used in Operating Activities	(Note 8)	<u>(231,721)</u>	<u>(92,506)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Cash was provided from:			
	Silverwood Forest Partnership	<u>330,000</u>	<u>28,000</u>
		330,000	28,000
Cash was applied to:			
	RWT	-	-
	Silverwood Forest Partnership debt reduction	<u>-</u>	<u>-</u>
		-	-
Net Cash from Investing Activities		<u>330,000</u>	<u>28,000</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Cash was provided from:			
	Loan Funds from Whitby Corporation Limited	-	-
	Loan Funds from Bradwood Forest Partnership	-	50,000
	Issue of Shares	<u>-</u>	<u>50,000</u>
		-	50,000
Cash was applied to:			
	Loan Funds from Bradwood Forest Partnership	100,000	-
	Loan Funds from Whitby Corporation Limited	<u>-</u>	<u>-</u>
		100,000	-
Net Cash from Financing Activities		<u>(100,000)</u>	<u>50,000</u>
Net Increase/(Decrease) in cash held		(1,721)	(14,506)
Plus Opening cash brought forward		6,655	21,161
Ending Cash carried forward		<u>4,934</u>	<u>6,655</u>
Represented by:			
	National Bank of New Zealand Ltd - Current Account	<u>4,934</u>	<u>6,655</u>

These financial statements are to be read in conjunction with the notes to the Financial Statements and the Audit Report

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

Silverwood Forest Corporation Limited and Company - Land 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 - Land Partnership have been prepared in accordance with the Financial Reporting Act 1993.

MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the company subject to the periodic revaluation of the land.

SPECIFIC ACCOUNTING POLICIES

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

(a) Non Current Assets

Land value is stated at valuation as determined each year. The valuation is based on the independent valuations obtained in 2006 adjusted for SLP's interest in the Silverwood Verplank JV (Note 6). The changes in the value of land is reflected in the Statement of Financial Performance.

(b) Goods and Services Tax

These Financial Statements have been prepared exclusive of Goods and Services Taxation with the exception of creditors which are GST inclusive.

(c) Changes in Accounting Policies

Change in valuation of land is now reflected in the Statement of Financial Performance and then forms part of Revenue Reserves within Equity. Previously, changes in valuation were reflected directly within Equity as part of Capital Reserves. The change is effective from the 2004 year. There are no other changes to accounting policies, all other policies have been applied on bases consistent with those used in previous years.

These notes form part of and should be read in conjunction with the attached Financial Statements

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

2. GENERAL PARTNER

The General Partner, Silverwood Forest Corporation Limited, conducts all the day to day operations of the Land Partnership.

3. TAX LOSSES

The tax losses are not allocated to individual partners as the loss remains within the Special Partnership. Losses are carried forward may be available to off-set against future profits.

Tax Losses brought forward from 2005		\$ 720,830
LESS Current Year's Surplus	(298,877)	
Exclude Whitby land revaluation	464,750	165,873
Total Losses carried forward to 2006 subject to assessment.		886,703

Note: As per Note 1 (a) and (c) the gain on revaluation of the land is not included for taxation purposes.

4. CAPITAL AND FUNDS CONTRIBUTED

The initial capital of the Partnership was 262 units of \$2,200 each. All the capital was raised during the 1991 financial year.

As a result of a one for one issue at a cost of \$4,000 per unit, a further \$1,048,000 capital was raised in June 2003. After issue, a further one for one bonus issue was made bringing the total of units to 1,048 fully paid units. All capital is paid and no calls are outstanding.

		<u>Units</u>	<u>\$ per Unit rec'd</u>	<u>TOTAL \$</u>
1991	Initial Capital	262	\$2,200	\$576,400
2003	1 for 1 Cash Issue	262	\$4,000	\$1,048,000
2003	1 for 1 Bonus Issue	524	\$0	\$0
	TOTALS	1048	\$1,550	\$1,624,400

5. SHORT TERM LOANS

The Loan from Bradwood Forest Limited plus related interest has been repaid during the year.

6. NON CURRENT ASSETS

Land

The Partnership owns 211 hectares of land situated at Whitby, Wellington. This land is freehold and is subject, in part, to Transit New Zealand Transmission Gully Motorway Designation.

SLP has entered into a JV Agreement with Verplank Ltd to develop the non designated or severed land into sections following Council zoning guidelines.

The 31 March 2006 valuation was carried out by Brian Stafford-Bush of Sheldons and partners Ltd, who valued the land, its additions and approved resource consents at \$8,185,000.

The bookvalue of \$5,160,000 reflects SLP's part net of our JV partner's interest.

Costs of Land including Lot 100	\$ 902,696
Directors Revaluation 31 March 2002	2,597,304
Directors Revaluation 31 March 2004	350,000
Valuers Revaluation 31 March 2005 \$4,735,000 less \$40,000 for intangible access options	845,000
Valuers Revaluation 31 March 2006 adjusted for our interest in Silverwood Verplank JV	464,750
	5,159,750

These notes form part of and should be read in conjunction with the attached Financial Statements

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

7. INTANGIBLE ASSETS

The Directors have paid the sum of \$40,000 for options to purchase two sections that will provide future access. The options expire in 2021.

**8. RECONCILIATION OF STATEMENT OF CASHFLOWS
WITH OPERATING SURPLUS**

	2006	2005
	\$	\$
Net operating Profit/(Loss)	298,877	727,396
Adjusted by items not involving cashflows		
Increase in Valuation of Land to revenue account	(464,750)	(845,250)
Accrued interest on intercompany loan	2,946	116
Accrued interest on Bradwood Loan		8,458
	-	-
	(162,927)	(109,280)
Impact of changes in working capital items		
(Increase)/Decrease in GST Refund Due	(5,828)	(516)
(Increase)/Decrease in receivables & Accruals		
Increase/(Decrease) in accrued payables & Accruals	(62,965)	17,290
	(68,793)	16,774
Net cash received/(used) in operating activities	(231,720)	(92,506)

9. RELATED PARTY TRANSACTIONS

During the year the following amounts were paid to Aratas Consulting Services in which Malcolm Johnson, Director of the General Partner, has a controlling interest. There were no amounts outstanding at the end of the year.

Aratas Consulting Services	\$7,531
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During the year the following amounts were paid to Peter Bould CA Limited in which Peter Bould, Director of the General Partner, has a controlling interest. An amount of \$0 was outstanding at the end of the year.

Peter Bould CA Limited	\$6,305
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During the year the following amounts were paid to Valley Management Limited in which Tony Loveday, Director of the General Partner, has a controlling interest. An amount of \$0 was outstanding at the end of the year.

Valley Management Limited	\$4,349
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These notes form part of and should be read in conjunction with the attached Financial Statements

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

9. RELATED PARTY TRANSACTIONS (...continued)

During the year the following amounts were paid to Wholesale Products Trading Limited in which Peter Tiedemann, Director of the General Partner, has a controlling interest, and to Tiedemann and Partners in which Peter Tiedemann is a partner.

Wholesale Products Trading Limited	\$79,304
Tiedemann and Partners	\$11,682

10. SILVERWOOD VERPLANK - JOINT VENTURE to develop Stages I & II

Thirty two percent of Silverwood Land Partnership (SLP) land at Whitby has been contracted to a Joint Venture (JV) with Verplank Limited (previously Seventh City Finance Limited) and Carrus Corporation Ltd, both of Tauranga.

The JV objective is to develop and sell residential and rural sections. The SLP provides the land with Carrus Corp Ltd providing the management, expertise and supervision and Verplank Ltd providing the funding to pay for planning, consents, roads, infrastructure, marketing and administration.

Profits from development will be shared 50/50 between SLP and Verplank Ltd after Carrus has been paid for management and SLP for its land. The land remains in SLP ownership, and will be transferred as individual sections to the post-development's first purchaser.

The JV has purchased 68 Exploration Way and is currently in the process of completing a resource consent to development this block together with our Stage 1 (Lot 1)

The 31 March 2006 valuers report has taken this JV transactions into account.

11. CONTINGENT LIABILITIES

Partnership - Nil (2005 nil)

Joint Venture, Partnership Share - Nil (2005 nil)

12. CAPITAL COMMITMENTS

Partnership - Nil (2005 nil)

Joint Venture, Partnership Share - \$1,500,000 (2005 \$500,000)

These notes form part of and should be read in conjunction with the attached Financial Statements