

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

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

Nature of Business:	Land Owner
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 P.O Box 84 101, Westgate 0657 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 – LAND 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; and
 - give a true and fair view of the financial position of Silverwood Forest Corporation Limited and Company - Land Partnership as at 31 March 2008 and the results of its operations for the year ended on that date.

Our audit was completed on 23 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
LAND PARTNERSHIP
INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008**

	<i>Note</i>	2008 \$	2007 \$
Revenue		-	-
Cost of Sales		-	-
		-	-
Other Operating Income		3,850	156,906
Administrative Expenses		4,959	6,403
Other Operating Expenses		5,104	-
Operating Profit / (Loss) before Financing Costs		<u>(6,213)</u>	<u>150,503</u>
Financial Income		12,773	12,980
Financial Expenses		76,206	63,877
Net Financing Income	2	<u>(63,433)</u>	<u>(50,897)</u>
Profit / (Loss) before Tax		(69,646)	99,606
Income Tax Expense		-	-
Net Profit / (Loss) for the period		<u>(69,646)</u>	<u>99,606</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
LAND 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	4,942,859	4,844,773
Profit / (Loss) for the Period		(69,646)	99,606
Total Recognised Income and Expense for the Period		(69,646)	99,606
Amortisation of Website development costs	11	-	(1,520)
Equity at the end of the period	7	4,873,213	4,942,859

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

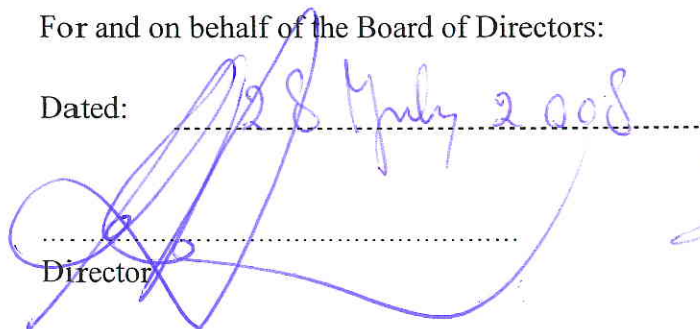


**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
 LAND PARTNERSHIP
 BALANCE SHEET
 AS AT 31 MARCH 2008**

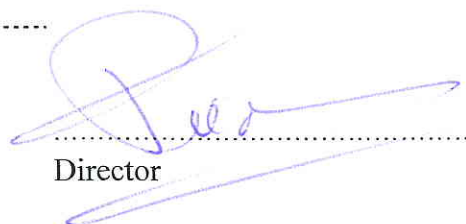
	<i>Note</i>	2008 \$	2007 \$
Equity			
Partnership Equity	7	4,873,213	4,942,859
Total Partnership Equity		<u>4,873,213</u>	<u>4,942,859</u>
Current Liabilities			
Trade Payable and Accruals		15,749	13,266
Non-Current Liabilities			
Loan from Silverwood Forest Partnership	4,6	831,387	765,729
Silverwood Joint Venture	3	3,457,108	1,071,938
Total Liabilities		<u>4,304,244</u>	<u>1,850,933</u>
Total Equity and Liabilities		<u><u>9,177,457</u></u>	<u><u>6,793,792</u></u>
Non-Current Assets			
Land held for sale	5	5,474,010	5,392,792
Share in Silverwood Joint Venture	3	3,457,108	1,071,938
Future Access purchase options		40,000	40,000
Total Non-Current Assets		<u>8,971,118</u>	<u>6,504,730</u>
Current Assets			
Cash and Bank		203,980	287,813
Trade Receivables		675	-
GST Receivable		1,684	1,249
Total Current Assets		<u>206,339</u>	<u>289,062</u>
Total Assets		<u><u>9,177,457</u></u>	<u><u>6,793,792</u></u>

For and on behalf of the Board of Directors:

Dated: _____



 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
LAND 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:			
Transit		4,331	765
GST Received		10,014	19,723
Interest received		12,765	12,966
		<u>27,110</u>	<u>33,454</u>
Cash was applied to:			
Bank charges paid		71	93
Payment for Silverwood Forest Partnership		5,475	10,189
Payment to suppliers		100,397	122,863
		<u>105,943</u>	<u>133,145</u>
Net Cash used in Operating Activities	<i>10</i>	<u>(78,833)</u>	<u>(99,691)</u>
<u>Cash Flows from Investing Activities</u>			
Cash was provided from:			
		-	-
Cash was applied to:			
		-	-
Net Cash from Investing Activities		<u>-</u>	<u>-</u>
<u>Cash Flow from Financing Activities</u>			
Cash was provided from:			
Transfer from Silverwood Forest Partnership		-	500,570
Cash was applied to:			
Transfer to Silverwood Forest Partnership		5,000	118,000
Net Cash from Financing Activities		<u>(5,000)</u>	<u>382,570</u>
Net Increase (decrease) in cash held		(83,833)	282,879
Opening cash balance		287,813	4,934
Ending Cash carried forward		<u>203,980</u>	<u>287,813</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
LAND 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 - 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.

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

Land Stock is measured at the lower of cost or net realisable value.

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
LAND 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 Receivables

Trade receivables are stated at cost less impairment loss.

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.

Change in Accounting Policy

All land held in the partnership was previously recorded as fixed assets and accounted in accordance with FRS 3 - Property, Plant & Equipment. Management has adopted to change this accounting policy in the current year and as a result of this all land held for redevelopment and sale is now classified as land held for sale and accounted in accordance with NZ IFRS 5 - Non-Current Assets Held for Sale. NZ IFRS 5 requires all Land held for sale to be measured at the lower of its carrying amount and fair value less costs to sell.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND 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	12,773	12,980
Total Financial Income	<u>12,773</u>	<u>12,980</u>
Interest Expenses	76,206	63,877
Net Financial Income	<u>(63,433)</u>	<u>(50,897)</u>

3. ACCOUNTING FOR JOINT VENTURE

Silverwood Land Partnership has entered into a Joint Venture agreement with Verplank Limited and Verplank II Limited dated 17 September 2002. Silverwood Land Partnership is a 50% partner in the Joint Venture. For accounting purposes Silverwood Land Partnership has recognised its share in Silverwood Joint Venture based on substance over form, thereby accounting for 50% of its share of interest in the Assets and Liabilities of Silverwood Joint Venture.

Opening Share in Silverwood Joint Venture	1,071,938	556,898
Increase in Share in Silverwood Joint Venture	2,385,171	515,040
Share in Silverwood Joint Venture	<u>3,457,108</u>	<u>1,071,938</u>

4. LOAN FROM SILVERWOOD FOREST PARTNERSHIP

Loan from Silverwood Forest Partnership	831,387	765,729
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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. LAND HELD FOR SALE

Land held for sale	5,474,010	5,392,792
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All land held in the partnership was previously recorded as fixed assets and accounted in accordance with FRS 3 - Property, Plant & Equipment. Management has adopted to change this accounting policy in the current year and as a result of this all land held for redevelopment and sale is now classified as land held for sale and accounted in accordance with NZ IFRS 5 - Non-Current Assets Held for Sale. All Land held for sale is measured at the lower of its carrying amount and fair value less costs to sell in accordance with NZ IFRS 5.

6 RELATED PARTY TRANSACTIONS

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

Invoices received from:	Interested Party:	2008	2007
Aratas Consulting Services Limited	Malcolm Johnson	8,073	7,531
Peter Bould CA Limited	Peter Bould	8,865	6,305
Tiedemann & Partners	Peter Tiedemann	7,000	5,800
Wholesale Products Trading Limited	Peter Tiedemann	49,682	49,511
Valley Management Services	Tony Loveday	7,499	5,996
		<u>81,119</u>	<u>75,143</u>

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

In addition to this 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.

7. CAPITAL AND RESERVES

	Equity
Balance at 1 April 2006	4,844,773
Total recognised income & expense	99,606
Amortisation of Website development costs	(1,520)
Balance at 31 March 2007	<u>4,942,859</u>
Balance at 1 April 2007	4,942,859
Total recognised income & expense	(69,646)
Balance at 31 March 2008	<u>4,873,213</u>

8. COMMITMENTS

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

Effective from 1 April 2006 the Directors agreed to accept a reduction in the level of fees paid to their respective business entities, to a lesser amount than such fees paid to previously. From 1 April 2006 to 31 March 2008 Peter Tiedemann was paid a Management Fee of \$4,000 per month, about half of prior year charges. (From 1 April 2008 this charge has been further reduced to \$2,000 p.m.).

All four Directors receive a quarterly fee of \$2,000 each. In consideration for the reduced fees the Directors will each receive a 1% of distribution in excess of investors equity as at 31 March 2006 (\$4,844,773), and Peter Tiedemann will receive a further 7% of the distribution for his deferred compensation. This agreement was reached with the statutory supervisor and the legal advisor.

It should be noted that there will be no distribution to any director until unitholders have reached back their equity in the partnership at 31 March 2006 i.e. \$4,844,773.

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)	(69,646)	99,606
<u>Adjusted by items not involving cash flows</u>		
Increase in Valuation of Land to revenue account	-	(156,906)
Accrued interest on intercompany loan	76,133	63,877
Website	-	(1,520)
RWT write off	-	11
	<u>6,487</u>	<u>5,068</u>
<u>Impact of changes in working capital items</u>		
(Increase)/Decrease in GST Refund Due	(435)	8,014
(Increase)/Decrease in Receivables & Accruals	(675)	(10,757)
(Increase)/Decrease in Land	(81,727)	(75,885)
Increase/(Decrease) in Payables & Accruals	(2,483)	(26,131)
	<u>(85,320)</u>	<u>(104,759)</u>
Net cash received / (used) in operating activities	<u>(78,833)</u>	<u>(99,691)</u>

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
 LAND 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 2007 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

	Note	Transition Balance Sheet 1 April 2006			Comparative Balance Sheet 31 March 2007		
		Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS
Equity							
Partnership Equity	a,b	4,844,773	-	4,844,773	4,868,494	74,365	4,942,859
Total Equity		4,844,773	-	4,844,773	4,868,494	74,365	4,942,859
Current Liabilities							
Trade Payable and Accruals		38,197	-	38,197	13,266	-	13,266
Non-Current Liabilities							
Loan from Silverwood Forest Partnership		331,237	-	331,237	765,729	-	765,729
Silverwood Joint Venture		-	556,898	556,898	-	1,071,938	1,071,938
Total Liabilities		369,434	556,898	926,332	778,995	1,071,938	1,850,933
Total Equity and Liabilities		5,214,207	556,898	5,771,105	5,647,489	1,146,303	6,793,792
Non-Current Assets							
Land held for sale		5,160,000	-	5,160,000	5,316,907	75,885	5,392,792
Share in Silverwood Joint Venture	b	-	556,898	556,898	-	1,071,938	1,071,938
Future Access purchase options		40,000	-	40,000	40,000	-	40,000
Total Non-Current Assets		5,200,000	556,898	5,756,898	5,356,907	1,147,823	6,504,730
Current Assets							
Cash and Bank		4,944	-	4,944	287,813	-	287,813
GST Receivable		9,263	-	9,263	1,249	-	1,249
Website	a	-	-	-	1,520	(1,520)	-
Total Current Assets		14,207	-	14,207	290,582	(1,520)	289,062
Total Assets		5,214,207	556,898	5,771,105	5,647,489	1,146,303	6,793,792

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
 LAND 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		-	-	-
Cost of Sales	b	75,885 (75,885)	(75,885) 75,885	- -
Other Operating Income		156,906	-	156,906
Administrative Expenses		6,403	-	6,403
Other Operating Expenses		-	-	-
Operating Profit / (Loss) before Financing Costs		<u>74,618</u>	<u>75,885</u>	<u>150,503</u>
Financial Income		12,980	-	12,980
Financial Expenses		63,877	-	63,877
Net Financing Income		<u>(50,897)</u>	<u>-</u>	<u>(50,897)</u>
Profit / (Loss) before Tax		23,721	75,885	99,606
Income Tax Expense		-	-	-
Net Profit / (Loss) for the period		<u><u>23,721</u></u>	<u><u>75,885</u></u>	<u><u>99,606</u></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.

(b) Share in Silverwood Joint Venture

Silverwood Land Partnership has entered into a Joint Venture agreement with Verplank Limited and Verplank II Limited dated 17 September 2002. Silverwood Land Partnership is a 50% partner in the Joint Venture. For accounting purposes Silverwood Land Partnership has recognised its share in Silverwood Joint Venture based on substance over form, thereby accounting for 50% of its share of interest in the Assets and Liabilities of Silverwood Joint Venture.

	2006	2007
Opening Share in Silverwood Joint Venture	-	556,898
Increase in Share in Silverwood Joint Venture	556,898	515,040
Share in Silverwood Joint Venture	<u>556,898</u>	<u>1,071,938</u>

