

**SILVERWOOD FOREST CORPORATION LIMITED AND**  
**COMPANY LAND PARTNERSHIP**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2010**

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**SILVERWOOD FOREST CORPORATION LIMITED AND  
COMPANY LAND PARTNERSHIP  
DIRECTORY  
AS AT 31 MARCH 2010**

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<b>Nature of Business:</b>	Land Owner
<b>Registered Office:</b>	Marsden Robinson Chow Limited Level 2, Chamber of Commerce Building, 100 Mayoral Drive Auckland 1010
<b>Board of Directors:</b>	Peter Bradney Bould Eoin Malcolm Miller Johnson Anthony Sydney Loveday Peter Tiedemann
<b>Banker:</b>	National Bank of New Zealand Auckland
<b>Business Address:</b>	C/- Tiedemann and Partners 300 Richmond Road Grey Lynn Auckland
<b>Solicitor:</b>	Castle Brown L4 19 Morgan Street, Newmarket Auckland
<b>Auditor:</b>	UHY Haines Norton Chartered Accountants 22 Catherine Street Henderson Waitakere 0650

**AUDIT REPORT**

**TO THE PARTNERS OF SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY LAND PARTNERSHIP**

We have audited the financial statements on pages 3 to 14. The financial statements provide information about the past financial performance of the special partnership and its financial position as at 31 March 2010. 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 2010 and the results of operations and cash flows for the year 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:

- The 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 the 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.

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 14:
  - comply with generally accepted accounting practice in New Zealand;
  - 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 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 14<sup>th</sup> September 2010 and our unqualified opinion is expressed as at that date.

*UHY Haines Norton*  
**UHY Haines Norton**  
**Chartered Accountants**  
**Auckland**

**SILVERWOOD FOREST CORPORATION LIMITED AND  
COMPANY LAND PARTNERSHIP  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2010**

	<i>Note</i>	<b>2010</b> \$	<b>2009</b> \$
<b>Equity</b>			
Partnership Equity		2,920,882	4,012,077
<b>Total Partnership Equity</b>		<u>2,920,882</u>	<u>4,012,077</u>
<b>Current Liabilities</b>			
Trade Payables and Accruals	4	29,533	33,351
Sundry Payables		85,560	-
GST Payable		-	3,757
Related Party Loans Payable	10	986,828	868,700
<b>Total Current Liabilities</b>		<u>1,101,921</u>	<u>905,808</u>
<b>Non-Current Liabilities</b>			
Silverwood Joint Venture	5	8,987,158	5,870,450
<b>Total Non-Current Liabilities</b>		<u>8,987,158</u>	<u>5,870,450</u>
<b>Total Liabilities</b>		<u>10,089,079</u>	<u>6,776,258</u>
<b>Total Equity and Liabilities</b>		<u>13,009,961</u>	<u>10,788,335</u>
<b>Non-Current Assets</b>			
Share in Silverwood Joint Venture	5	7,294,378	5,132,319
Future Access Purchase Options		40,000	40,000
<b>Total Non-Current Assets</b>		<u>7,334,378</u>	<u>5,172,319</u>
<b>Current Assets</b>			
Cash and Cash Equivalents		59,929	87,170
Trade Receivables		9,191	-
GST Receivable		5,222	-
Land Stock	6	4,751,686	5,528,846
Designated Land	7	849,555	-
<b>Total Current Assets</b>		<u>5,675,583</u>	<u>5,616,016</u>
<b>Total Assets</b>		<u>13,009,961</u>	<u>10,788,335</u>

For and on behalf of the Board of Directors:

Dated: 14 September 2010

.....  
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  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2010**

	<i>Note</i>	<b>2010</b> \$	<b>2009</b> \$
Revenue		-	-
Cost of Sales		-	-
		<u>-</u>	<u>-</u>
Other Operating Income		3,850	3,850
Administrative Expenses		12,297	7,895
Other Operating Expenses	<i>1</i>	39,376	43,320
<b>Operating Loss Before Financing Costs</b>		<u>(47,823)</u>	<u>(47,365)</u>
Net Financing Costs	<i>2</i>	<u>(1,043,372)</u>	<u>(813,771)</u>
<b>Net Loss Before Tax</b>		(1,091,195)	(861,136)
Income Tax Expense	<i>3</i>	-	-
<b>Net Loss After Tax and Total Comprehensive Loss for the Year</b>		<u><u>(1,091,195)</u></u>	<u><u>(861,136)</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 LAND PARTNERSHIP  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2010**

	<b>Partnership Equity \$</b>	<b>Total Equity \$</b>
<b>2010</b>		
<b>Total Comprehensive Loss for the Year</b>	(1,091,195)	(1,091,195)
Transactions with Owners	<u>(1,091,195)</u>	<u>(1,091,195)</u>
Equity at the Beginning of the Year	4,012,077	4,012,077
<b>Equity at the End of the Year</b>	<u><u>2,920,882</u></u>	<u><u>2,920,882</u></u>
	<b>Partnership Equity \$</b>	<b>Total Equity \$</b>
<b>2009</b>		
<b>Total Comprehensive Loss for the Year</b>	(861,136)	(861,136)
Transactions with Owners	<u>(861,136)</u>	<u>(861,136)</u>
Equity at the Beginning of the Year	4,873,213	4,873,213
<b>Equity at the End of the Year</b>	<u><u>4,012,077</u></u>	<u><u>4,012,077</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 LAND PARTNERSHIP  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2010**

	<i>Note</i>	2010 \$	2009 \$
<b><u>Cash Flows from Operating Activities</u></b>			
Cash was provided from:			
Reimbursement of expenses from Transit NZ		19,305	5,215
GST Received		4,712	18,284
Interest received		527	5,975
		24,544	29,474
Cash was applied to:			
Bank charges paid		633	90
Payment for Silverwood Forest Partnership		12,114	5,376
RWT		26,936	
Payment to suppliers		139,102	120,818
		178,785	126,284
Net Cash used in Operating Activities	<i>11</i>	(154,241)	(96,810)
<b><u>Cash Flows from Investing Activities</u></b>			
Cash was provided from:			
		-	-
Cash was applied to:			
		-	-
Net Cash from Investing Activities		-	-
<b><u>Cash Flow from Financing Activities</u></b>			
Cash was provided from:			
Transfer from Silverwood Forest Partnership		40,000	15,000
Withholding Tax		-	-
Loan from Whitby Corporation Limited		100,000	-
Cash was applied to:			
Transfer to Silverwood Forest Partnership		13,000	35,000
Net Cash from Financing Activities		127,000	(20,000)
Net Decrease in Cash Held		(27,241)	(116,810)
Cash Balance at the Beginning of the Year		87,170	203,980
<b>Cash Balance at the End of the Year</b>		<b>59,929</b>	<b>87,170</b>

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 2010**

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**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 and Company Land Partnership 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 for profit-oriented entities. 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.

The financial statements are presented in New Zealand Dollars (NZD) which is the Partnership's functional currency. The financial statements are prepared on a historical cost basis.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**Inventory**

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

**Expenses**

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

**Trade Receivables**

Trade receivables are stated at cost less impairment loss.

**Trade and other Payables**

Trade and other payables are stated at cost.



**SILVERWOOD FOREST CORPORATION LIMITED AND  
COMPANY LAND PARTNERSHIP  
SIGNIFICANT ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 MARCH 2010**

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**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 asset's 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 Statement of Comprehensive Income.

The 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 Statement of Comprehensive Income.

**Net Financing Income**

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

**Income Tax**

There is no tax payable for Silverwood Forest Corporation Limited and Company Land Partnership, as each Partner is individually liable for their share of the income from the Partnership.

**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.

**Designated Land**

Designated Land is recorded at cost.

**Change in Accounting Policy**

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

**SILVERWOOD FOREST CORPORATION LIMITED AND  
COMPANY LAND PARTNERSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

**1 OTHER OPERATING EXPENSES**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Operating expenses include:		
Auditors' Remuneration	8,000	4,500

**2 NET FINANCING COSTS**

Interest Received	529	5,986
Interest Expense	<u>(1,043,901)</u>	<u>(819,757)</u>
Net Financing Costs	<u><u>(1,043,372)</u></u>	<u><u>(813,771)</u></u>

**3 INCOME TAX EXPENSE**

Current Tax Expense	<u>-</u>	<u>-</u>
<b>Reconciliation of Effective Tax Rate</b>		
Net Loss Before Tax	<u>(1,091,195)</u>	<u>(861,136)</u>
Loss distributed to partners	<u><u>(1,091,195)</u></u>	<u><u>(861,136)</u></u>

**4 TRADE PAYABLES AND ACCRUALS**

Trade Payables	14,533	1,915
Accruals	<u>15,000</u>	<u>31,436</u>
	<u><u>29,533</u></u>	<u><u>33,351</u></u>

**5 ACCOUNTING FOR JOINT VENTURE**

Opening Share in Silverwood Joint Venture	5,132,319	3,457,108
Increase in Share in Silverwood Joint Venture	<u>2,162,059</u>	<u>1,675,211</u>
<b>Share in Silverwood Joint Venture</b>	<u><b>7,294,378</b></u>	<u><b>5,132,319</b></u>
Add - Interest Capitalised	<u>1,692,780</u>	<u>738,131</u>
<b>Loan from Silverwood Joint Venture</b>	<u><b>8,987,158</b></u>	<u><b>5,870,450</b></u>

Silverwood Forest Corporation Limited and Company Land Partnership have entered into a Joint Venture agreement with Verplank Limited and Verplank II Limited dated 17 September 2002. Silverwood Forest Corporation Limited and Company Land Partnership is a 50% partner in the Joint Venture. For accounting purposes Silverwood Forest Corporation Limited and Company 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.

**SILVERWOOD FOREST CORPORATION LIMITED AND  
COMPANY LAND PARTNERSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

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	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>6 LAND STOCK</b>		
Land Stock	<u>4,751,686</u>	<u>5,528,846</u>

All land held in the partnership was previously recorded as held for sale and accounted for in accordance with NZ IFRS 5 - Non-Current Assets Held for Sale. Management has adopted to change this accounting policy in the current year and as a result, all land held for redevelopment and sale is now classified as land stock and accounted for in accordance with NZ IAS 2 - Inventories. All land stock is measured at the lower of cost and net realisable value in accordance with NZ IAS 2.

<b>7 DESIGNATED LAND</b>		
Designated Land	<u>849,555</u>	<u>-</u>

In 1995 the NZ Government department responsible for highways placed a designation across the land owned by Silverwood Forest Corporation and Company Land Partnership as part of its transmission gully motorway plans. This meant that, in due course, this designated and related severed land would be taken by the Government for the development of a motorway. That Land Take was completed in July 2010 therefore this asset has been shown as a current asset. It is not part of the Silverwood Forest Corporation and Company Land Partnership Land Stock as it was subject to a legal Land Take. Silverwood Forest Corporation and Company Land Partnership purchased this land in 1990 for growing trees and, on harvest to develop or sell this asset. The designated and severed land became unsaleable at commercially accepted prices and could not be developed according to its zoning and therefore, following storms in 2003, it was replanted and kept as a 'fixed asset' until the governments Land Take was completed.

**8 COMMITMENTS**

There are no capital and lease commitments as at 31 March 2010 (2009 - \$Nil).

Effective from 1 April 2006 the Directors agreed to accept a reduction in the level of fees paid to their respective business entities. From 1 April 2008 Peter Tiedemann was paid a Management Fee of \$2,000 per month.

**SILVERWOOD FOREST CORPORATION LIMITED AND  
COMPANY LAND PARTNERSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

For the year ended 31 March 2010, all four Directors received a Board Meeting Preparation and Attendance fee of \$2,000 per meeting plus GST. According to the written agreement signed and dated 31 March 2007, in consideration for the reduced fees, the Directors will each receive a 1% 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 made to any Director until unit holders have received their original equity in the partnership at 31 March 2006, which amounts to \$4,844,773.

**9 CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31 March 2010 (2009 - \$Nil).

**10 RELATED PARTY TRANSACTIONS**

**i) Related Party Transactions**

During the year Silverwood Forest Corporation Limited and Company Land Partnership obtained consultancy services from the following suppliers, who are related parties by virtue of common control. The values of the transactions were as follows:

		2010	2009
		\$	\$
<b>Invoices received from:</b>	<b>Interested Party:</b>		
Aratas Consulting Services Limited	Malcolm Johnson	8,250	8,769
Peter Bould CA Limited	Peter Bould	12,901	13,185
Tiedemann & Partners	Peter Tiedemann	8,000	7,650
Wholesale Products Trading Limited	Peter Tiedemann	10,615	29,191
Valley Management Services	Tony Loveday	9,082	8,469
		<u>48,848</u>	<u>67,264</u>

All transactions were conducted at arm's length.

**ii) Related Party Loans Payable**

**Current Liabilities**

Whitby Corporation Limited (1 to 2 years)	<i>i)</i>	103,241	-
Silverwood Forest Corporation Forest Limited and Company Forest Partnership	<i>ii)</i>	883,587	868,700
		<u>986,828</u>	<u>868,700</u>

**SILVERWOOD FOREST CORPORATION LIMITED AND  
COMPANY LAND PARTNERSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

i) Whitby Corporation Limited is a related party by way of common directors. The loan is made up of two agreements as follows:

	<b>Principal</b>	<b>Interest Rate</b>	<b>Interest</b>
Agreement 1	50,000	14% p.a.	21/12/2009
Agreement 2	50,000	14% p.a.	26/01/2010
	<u>100,000</u>		

These loans were repaid in full, being \$114,000, subsequent to balance date after receipt of the NZTA Land Take compensation of \$7,250,000 plus GST.

ii) The Silverwood Forest Corporation Forest Limited and Company Forest Partnership loan to Silverwood Forest Corporation Limited and Company Land Partnership is unsecured and payable on demand. Interest is charged at 10% per annum on the loan (2009 - 10%). This was repaid on 7th of July 2010.

**11 RECONCILIATION OF NET LOSS WITH CASH FLOWS FROM OPERATING ACTIVITIES**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Net Operating Loss</b>	(1,091,195)	(861,136)
<u>Adjusted by items not involving cash flows</u>		
Accrued interest	88,801	57,314
Payments on behalf of Silverwood Forest Partnership	(19,749)	-
Interest accrued on debt to Silverwood Joint Venture	954,649	738,131
Capitalised Land Expenditure	<u>(72,395)</u>	<u>(54,836)</u>
	(139,889)	(120,527)
<u>Impact of changes in working capital items</u>		
(Increase)/Decrease in GST Refund Due	(8,979)	5,441
(Increase)/Decrease in Receivables & Accruals	(9,191)	675
Increase/(Decrease) in Payables & Accruals	<u>3,818</u>	<u>17,601</u>
	<u>(14,352)</u>	<u>23,717</u>
<b>Net cash received / (used) in operating activities</b>	<u>(154,241)</u>	<u>(96,810)</u>

**SILVERWOOD FOREST CORPORATION LIMITED AND  
COMPANY LAND PARTNERSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

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**12 PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to correct the interest that was owing to Verplank Limited as at 31 March 2009. The interest was charged on contributions made by Verplank Limited on behalf of Silverwood Forest Corporation and Company Land Partnership to the Silverwood Joint Venture. As a result the balance of retained earnings at the beginning of the financial year was adjusted, while the comparative interest expense, as well as the liability to Verplank Limited, have been restated accordingly. The effect of this correction on the financial statements is recorded as follows:

	<b>2009</b>
	<b>\$</b>
Equity Balance as at 31 March 2009 (Audited)	4,750,208
Interest Expense for year ended 31 March 2009	738,131
Equity Balance	<u>4,012,077</u>
Liability to Silverwood Joint Venture as at 31 March 2009 (Audited)	5,132,319
Interest Expense for year ended 31 March 2009	738,131
Liability to Silverwood Joint Venture	<u>5,870,450</u>

**13 FINANCIAL INSTRUMENTS**

The Partnership has a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the Partnership's accounting policies.

i) Fair Value

The estimated fair value of the Partnership's financial instruments equals the carrying values. This applies to all bank balances, receivables, payables and loans. Accordingly no comparison is made between the fair values and carrying values for any class of financial instrument.

ii) Liquidity Risk

All financial assets at fair value can be realised within 12 months. The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the Partnership's accounting policies.

**SILVERWOOD FOREST CORPORATION LIMITED AND  
COMPANY LAND PARTNERSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

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iii) Credit Risk

Financial instruments which potentially expose the Partnership to credit risk consist of cash and cash equivalents, accounts receivable and loans receivable from related parties. The maximum exposure to credit risk is the carrying value of each financial asset in the Statement of Comprehensive Income and is net of any recognised provision for losses on these financial instruments.

iv) Interest Rate Risk

Interest rate risk is the risk that interest rate changes will adversely affect the Partnership's results.

The Partnership is exposed to interest rate risk through its loan payable to Silverwood Forest Partnership. Interest is charged by the related party at 10% per annum (2009 - 10%).

The Partnership is exposed to interest rate risk through its loan payable to Whitby Corporation Limited. Interest is charged by the related party at 14% per annum (2009 - Nil).

The Partnership is exposed to interest rate risk through its loan payable to the Silverwood Joint Venture. Interest is charged by the Silverwood Joint Venture at 13% per annum (2009 - 14%). This reduces to 11% on receipt of Titles which enables Silverwood Forest Corporation and Company Land Partnership to provide Silverwood Joint Venture with security for mortgage finance. NZTA released these titles 30 June 2010 on completion of their Land Take negotiations.

v) Market Risk

Foreign currency risk is the risk that the value of the Partnership's assets and liabilities will fluctuate due to changes in foreign exchange rates. The Partnership would be exposed to currency risk as a result of transactions that are denominated in a currency other than the respective Partnership's functional currency. The Partnership has not entered into any transactions denominated in a currency other than the respective Partnership's functional currency.