



**SILVERWOOD
FOREST**
CORPORATION LIMITED AND COMPANY

SILVERWOOD LAND PARTNERSHIP

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH
2011**

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SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2011

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**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
DIRECTORY
FOR THE YEAR ENDED 31st MARCH 2011**

Nature of Business:	Land Owner
Registered Office:	Marsden Robinson Chow Limited Level 2, Chamber of Commerce Building, 100 Mayoral Drive Auckland, 1010
Board of Directors:	Peter Bradney Bould Eoin Malcolm Miller Johnson Anthony Sydney Loveday Peter Tiedemann
Bankers:	National Bank of New Zealand Auckland
Business Address:	C/- Tiedemann & Partners 300 Richmond Road Grey Lynn Auckland
Solicitors:	Castle Brown L4 19 Morgan Street, Newmarket Auckland
Auditor:	Geoff Bowker CA 135 Broadway Newmarket Auckland 1149

**Audit Report
 To the Partners of Silverwood Forest Corporation Limited and
 Company Land Partnership**

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I have audited the financial statements of the Silverwood Forest Corporation Limited and Company Land Partnership on pages 3 to 13. The financial statements provide information about the past financial performance of the special partnership and its financial position as at 31 March 2011. This information is stated in accordance with the accounting policies set out on pages 7 to 8.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view to the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.


Other than in my capacity as auditor I have no other relationship with, or interests in, the special partnership.

Opinion

In my opinion:

- proper accounting records have been kept by the special partnership as far as appears from my examination of those records; and
- the financial statements on pages 3 to 13:
 - comply with New Zealand generally accepted accounting practice;
 - comply with International Financial Reporting Standards;
 - gives a true and fair view of the financial position of Silverwood Forest Corporation Limited and Company Land Partnership as at 31 March 2011 and the results of its operations and cash flows for the year ended on that date.

My audit was completed on 26 May 2011 and my opinion is expressed as at that date.


GEOFF BOWKER
 CHARTERED ACCOUNTANT

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
INCOME STATEMENT
FOR THE YEAR ENDED 31st MARCH 2011**

	Note	2011 \$	2010 \$
Revenue - NZTA Rent		4,813	3,850
Capital Gain on NZTA Land Take	7&15	6,400,445	-
Revenue - JV		905,145	
Cost of Sales	16	<u>(668,963)</u>	-
		6,641,440	3,850
Administrative Expenses	17	193,826	12,297
Sales & Marketing - JV		56,467	
Other Operating Expenses	1	<u>37,785</u>	39,376
Operating Profit (Loss) before Financing Costs		<u>6,353,362</u>	<u>(47,823)</u>
Net Financing Income (Costs)	2	<u>5,463</u>	<u>(1,043,372)</u>
Net Profit (Loss) Before Tax		6,358,825	(1,091,195)
Income Tax Expense	3	-	-
Net Profit (Loss) After Tax and Total Comprehensive Profit (Loss) for the Year		<u>6,358,825</u>	<u>(1,091,195)</u>
Non Taxable Income	3	6,400,445	-
Taxable Profit (Loss)	3	<u>(41,620)</u>	<u>(1,095,045)</u>
		<u>6,358,825</u>	<u>(1,095,045)</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 31st MARCH 2011**

	Note	2011 \$	2010 \$
Equity at the beginning of the period		2,920,882	4,012,077
Profit for the Period		6,358,825	(1,091,195)
Capital Distribution - \$500 p/u July 2010	13	(524,000)	-
RWT Credit transferred to investors		(6,683)	-
Equity at the end of the period		<u>8,749,024</u>	<u>2,920,882</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
 BALANCE SHEET
 AS AT 31st MARCH 2011**

	Note	2011 \$	2010 \$
Equity			
Partnership Equity		8,749,024	2,920,882
Total Partnership Equity		<u>8,749,024</u>	<u>2,920,882</u>
Current Liabilities			
Trade Payables	4	13,933	29,533
Sundry Payables and Accruals		42,567	85,560
Related Party Loans	10	-	986,828
Total Current Liabilities		<u>56,500</u>	<u>1,101,921</u>
Non-Current Liabilities			
Deferred Management Fee	9	101,642	-
Silverwood Joint Venture	5	3,987,158	8,987,158
Total Non-Current Liabilities		<u>4,088,800</u>	<u>8,987,158</u>
Total Liabilities		4,145,300	10,089,079
Total Equity and Liabilities		<u><u>12,894,324</u></u>	<u><u>13,009,961</u></u>
Non-Current Assets			
Share in Silverwood Joint Venture	5	7,336,137	7,294,378
Future Access Purchase Options		40,000	40,000
Total Non-Current Assets		<u>7,376,137</u>	<u>7,334,378</u>
Current Assets			
Cash and Bank		630,116	59,929
Trade Receivables		124,184	9,191
GST Receivable		2,969	5,222
Land Stock	6	4,760,918	4,751,686
Designated Land	7	-	849,555
Total Current Assets		<u>5,518,187</u>	<u>5,675,583</u>
Total Assets		<u><u>12,894,324</u></u>	<u><u>13,009,961</u></u>

For and on behalf of the Board of Directors:
 Director: _____

Dated: _____
 Director: _____

MAY 25 2011

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 31st MARCH 2011

	Note	2011 \$	2010 \$
<u>Cash Flows from Operating Activities</u>			
Cash was provided from:			
NZTA Land Take		7,250,000	19,305
NZTA Land Rent Received		4,813	-
GST Received		774	4,712
Interest Received		24,309	527
		<u>7,279,896</u>	<u>24,544</u>
Cash was applied to:			
Payment for Silverwood Forest Partnership		-	12,114
Bank charges		282	633
RWT		-	26,936
JV Lot 1 & 2 Investment		5,000,000	-
Interest Paid		40,279	-
Payment to suppliers		102,529	139,102
		<u>5,143,090</u>	<u>178,785</u>
Net Cash used in Operating Activities	11	<u>2,136,806</u>	<u>(154,241)</u>
<u>Cash Flows from Investing Activities</u>			
Cash was applied to: \$500 p/u Capital Distribution July 2010		(524,000)	-
Net Cash from Investing Activities		<u>(524,000)</u>	<u>-</u>
<u>Cash Flow from Financing Activities</u>			
Cash was provided from:			
Transfer from Silverwood Forest Partnership		-	40,000
Loan from Whitby Corporation Limited		-	100,000
Cash was applied to:			
Repay Loan Silverwood Forest Partnership		939,378	13,000
Loan from Whitby Corporation Limited		103,241	-
Net Cash from Financing Activities		<u>(1,042,619)</u>	<u>127,000</u>
Net Increase (decrease) in cash held		570,187	(27,241)
Opening cash balance		59,929	87,170
Ending Cash carried forward		<u>630,116</u>	<u>59,929</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 31st MARCH 2011**

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Silverwood Forest Corporation Limited and Company, 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 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 the 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 of land available for sale

Trade Receivables

Trade receivables are stated at cost less impairment loss.

Trade and Other Payables

Trade and other Payables are stated at cost.

Expenses

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

Net Financing Income

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

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31st MARCH 2011**

Income Tax

There is no tax payable for Silverwood Forest Corporation Forest limited and Company Land Partnership, as each Partner is individually liable for the tax on 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.

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 Income Statement.

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.

Going Concern

These Financial Statements have been prepared on the basis that the Partnership is a going concern.

Changes in Accounting Policy

There have been no changes in accounting policies as compared to the previous financial year.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2011**

1. OTHER OPERATING EXPENSES	2011	2010
Operating expenses includes:	\$	\$
Auditors' Remuneration	7,600	8,000
(2011 for SLP and JV, 2010 SLP only)		
 2. NET FINANCING COSTS		
Interest Received (includes JV \$21,433)	45,742	529
Interest Expense	(40,279)	(1,043,901)
Net Financing Income (Costs)	<u>5,463</u>	<u>(1,043,372)</u>
 3. INCOME TAX EXPENSE		
Current Tax Expense	-	-
Reconciliation of Effective Tax Rate		
Net Profit (Loss) Before Tax	<u>6,358,825</u>	<u>(1,091,195)</u>
Non Taxable Capital Gain	6,400,445	-
Loss distributed to Partners	(41,620)	(1,095,045)
(Partners need to refer to the "Tax Letter" provided)		
 4. TRADE PAYABLES AND ACCRUALS		
Trade Payables	13,933	14,533
Accruals	42,567	15,000
	<u>56,500</u>	<u>29,533</u>
 5. ACCOUNTING FOR JOINT VENTURE		
Investment in Silverwood Joint Venture		
Opening Value of 50% Share	7,294,378	5,132,319
Share of Net Profit	48,442	2,162,059
Withholding Tax Transferred	(6,683)	-
	<u>7,336,137</u>	<u>7,294,378</u>
Opening Liability to Silverwood Joint Venture	8,987,158	5,870,450
Less Funds Introduced to Partnership	(5,000,000)	-
Increase in Liability in Silverwood Joint Venture	-	1,423,928
	<u>3,987,158</u>	<u>7,294,378</u>
Add - Interest Capitalised	-	1,692,780
Liability to Silverwood Joint Venture	<u><u>3,987,158</u></u>	<u><u>8,987,158</u></u>

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2011**

Silverwood Forest Corporation Limited and Company - Land Partnership entered into a Joint Venture Agreement with Verplank Limited and Verplank II Limited dated 17 September 2002. Silver wood Forest Corporation Limited and Company - Land Partnership is a 50% partner in the Joint Venture. Verplank and Verplank II Ltd provide the finance and Silverwood provides the land and, in 2011, also provided finance to the extend of \$5M. For accounting purposes Silverwood Forest Corporation Limited and Company - Land Partnership has recognised its share in Silverwood Joint Venture, accounting for 50% of its share of loans, income, expenditure, assets and liabilities of the Joint Venture.

6. LAND STOCK

	2011	2010
	\$	\$
Land Stock	4,760,918	4,751,686

All land held in the Partnership for redevelopment and sale is classified as land stock and accounted for in accordance with NZ IFRS 2 - Inventories. All land stock is measured at the lower of cost or net realisable value in accordance with NZ IAS 2. Lots 1 & 2 have been committed to the JV at an agreed value of \$1,500,000 and is included in the \$4,760,918 at that value.

7. DESIGNATED LAND

	2011	2010
	\$	\$
Designated Land	-	849,555

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 plans to build the Transmission Gully motorway. 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 30 June 2010 when the Partnership received \$8,156,250, which is \$7,250,000 Net of GST. This land was not part of Silverwood Forest Corporation and Company - Land Partnership Land Stock as it was subject to a legal Land Take and had been valued in prior periods at \$849,555. The Land Take compensation received less the Designated Land Asset Value is \$6,400,445, which is a tax free Capital Gain to Unit Holders.

Following storms in 2003, the NZTA Designated Land was replanted in Pinus Radiata and kept as a Fixed Asset until the Government Land Take was completed. Silverwood Forest Corporation and Company - Land Partnership now leases this land from the Government for a pepper corn rental until further notice.

8. COMMITMENTS

There are no capital and lease commitments as at 31 March 2011.

For the year ended 31 March 2011 the Directors were paid \$8,000 each for both Land and Forest Partnerships Board Meetings Preparations and Attendance fees. According to the written agreement, effective 1 April 2006, in consideration for reduced fees, the Directors will each receive a 1% distribution in excess of investors equity as at 31 March 2006, and Peter Tiedemann will receive a further 7%. This agreement was reached following consultations with the Partnership's Solicitor and in agreement with the Statutory Supervisor and subsequently approval by Unit Holders at an AGM following.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2011**

It should be noted that there will be no distribution in terms of the remuneration agreement to any Director until Unit Holders have received their Equity in the Partnership at 31 March 2006, which amounts to \$4,844,773 or \$4,623 per unit. The cost price per unit is \$1,550, made up from the 1990 initial unit price of \$2,200 and the 2003 additional unit price of \$4,000. After the one for one Bonus Issue in 2003, this means that the \$6,200 cost for four units is \$1,550 per unit.

9. CONTINGENCIES

There are no contingent liabilities as at 31 March 2011 beyond the contingent liability under Note 8 above. This amounts to 11% of the difference between the 31 March 2006 equity of \$4,844,773 and the equity at 31 March 2011 of \$8,749,024 plus the \$524,000 Capital Repayment made to Unit Holders in July 2010 which is \$487,108; (this includes \$101,642 re-invoiced deferred management fee).

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:

		2011 \$	2010 \$
Net Invoices received for SLP from:	Interested Party:		
Aratas Consulting Services Limited	Malcolm Johnson	6,497	8,250
Peter Bould CA Limited	Peter Bould	5,743	12,901
Tiedemann & Partners	Peter Tiedemann	24,000	8,000
Wholesale Products Trading Limited	Peter Tiedemann	9,747	10,615
Valley Management Services	Tony Loveday	5,961	9,082
		51,948	48,848

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
		-	986,828

i) Whitby Corporation Limited is a related party by way of common directors, and through its equity holding in the Partnership. The loan was repaid in full in July 2010 on receipt of NZTA Land Take payments.

ii) The Silverwood Forest Corporation Limited and Company - Forest Partnership loan to Silverwood Forest Corporation Limited and Company - Land Partnership was unsecured and payable on demand. This loan has been repaid in full on receipt of NZTA Land Take payments.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2011**

11. RECONCILIATION OF NET PROFIT WITH CASH FLOWS FROM OPERATING ACTIVITIES

	\$	\$
Net Operating Profit / (Loss) and Total Comprehensive Income	6,358,825	(1,091,195)
<u>Adjusted by items not involving cash flows</u>		
Accrued interest in Intercompany Loan	-	88,801
Payments on behalf of Silverwood Forest Partnership	-	(19,749)
Interest accrued on debt to Silverwood Joint Venture	-	954,649
JV Lot 1 & 2 Investment	(5,000,000)	-
JV Profits	(48,442)	-
Capitalised Land Expenditure	-	(72,395)
	1,310,383	(139,889)
<u>Impact of changes in working capital items</u>		
(Increase)/decrease in GST refund due	2,253	(8,979)
(Increase)/decrease in Receivables	(114,993)	(9,191)
Increase/(decrease) in Payables and Accruals	(2,801)	3,818
Decrease in Land Stock	840,322	-
Increase/(decrease) in Deferred Management Fee Liability	101,642	-
	826,423	(14,352)
Net cash received / (used) in operating activities	2,136,806	(154,241)

12. 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 bases 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.

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 Income Statement and is net of any recognised provision for losses on those financial instruments.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY
LAND PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2011**

iv) Interest Rate Risk

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

The Partnership was exposed to interest rate risk through its loan payable to Silverwood Forest Partnership. As this loan has been repaid this risk has been eliminated.

The Partnership was exposed to interest rate risk through its loan payable to Whitby Corporation Limited. As this loan has been repaid this risk has been eliminated.

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 reduced to 11% on receipt of Titles which enabled Silverwood Forest Corporation and Company - Land Partnership to provide Silverwood Joint Venture with security for mortgage finance. This risk was further reduced by the Partnership paying \$5,000,000 towards this loan.

v) Market Risk

Due to the 2008 economic downturn, sales of residential sections have slowed. Whilst this downward trend reversed somewhat in this financial 2011 year, it has not recovered to prior 2008 levels. Increased holding costs have meant earnings have had to be reviewed and the Partnership has reduced net holding costs through its injection of \$5,000,000.

13 CAPITAL REPAYMENT

In July 2010 Partnership Unit Holders were repaid capital of \$500 p/u from funds received for the NZTA Land Take.

14 INVESTMENT

The Partnership has reduced its liability to the Lot 1 and 2 Joint Venture by investing \$5,000,000 towards development costs incurred to build 198 residential sections.

15 NZTA TRANSACTION

The Partnership accepted the NZTA Land Take when the valuers agreed the compensation for the Land Take to be \$7,250,000 + GST. The fixed asset value of the land taken was \$849,555. The tax free Capital Gain therefore amounts to \$6,400,445.

16 COST OF SALES

The Cost of Sales represents the not recoverable cost associated with the NZTA Land Take and \$659,802 relating to JV section sales.

17 ADMINISTRATIVE EXPENSES

This includes \$161,867 relating to JV.