



**SILVERWOOD  
FOREST**  
CORPORATION LIMITED AND COMPANY

# **SILVERWOOD LAND PARTNERSHIP**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH  
2012**

C/o Tiedemann & Partners  
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**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY**  
**LAND PARTNERSHIP**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2012**

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**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY  
LAND PARTNERSHIP  
DIRECTORY  
FOR THE YEAR ENDED 31st MARCH 2012**

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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>Bankers:</b>	National Bank of New Zealand Auckland
<b>Business Address:</b>	C/- Tiedemann & Partners 300 Richmond Road Grey Lynn Auckland 1021
<b>Solicitors:</b>	Castle Brown L4 19 Morgan Street Newmarket Auckland 1023
<b>Auditor:</b>	Geoff Bowker CA 135 Broadway Newmarket Auckland 1023

**Audit Report**

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

Level 3, 135 Broadway  
 Newmarket  
 P O Box 113-251 Newmarket  
 Auckland 1149  
 New Zealand

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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 2012. 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;
  - give a true and fair view of the financial position of Silverwood Forest Corporation Limited and Company Land Partnership as at 31 March 2012 and the results of its operations and cash flows for the year ended on that date.

My audit was completed on 8 June 2012 and my opinion is expressed as at that date.

  
**GEOFF BOWKER**  
 CHARTERED ACCOUNTANT  
 NEWMARKET, AUCKLAND

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY  
LAND PARTNERSHIP  
INCOME STATEMENT  
FOR THE YEAR ENDED 31st MARCH 2012**

	Note	2012 \$	2011 \$
Revenue - NZTA Rent		-	4,813
Recovery - NZTA prior period costs		88,384	
Capital Gain - NZTA Land Take	7&15	-	6,400,445
Revenue - JV		895,445	905,145
Cost of Sales	16	(236,669)	(668,963)
		<u>747,160</u>	<u>6,641,440</u>
Administrative Expenses	17	252,889	193,826
Sales & Marketing - JV		94,410	56,467
Other Operating Expenses	1	40,437	37,785
<b>Operating Profit (Loss) before Financing Costs</b>		<u>359,424</u>	<u>6,353,362</u>
Net Financing Income (Costs)	2	<u>28,757</u>	<u>5,463</u>
<b>Net Profit (Loss) Before Tax</b>		388,181	6,358,825
Income Tax Expense	3	-	-
<b>Net Profit (Loss) After Tax and Total Comprehensive Profit (Loss) for the Year</b>		<u>388,181</u>	<u>6,358,825</u>
Non Taxable Income	3	-	6,400,445
Taxable Profit (Loss)	3	388,181	(41,620)
		<u>388,181</u>	<u>6,358,825</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 2012**

	Note	2012 \$	2011 \$
<b>Equity at the beginning of the period</b>		8,749,024	2,920,882
Profit for the Period		388,181	6,358,825
Capital Distribution - \$500 p/u July 2010	13		(524,000)
RWT Credit transferred to investors		(3,806)	(6,683)
<b>Equity at the end of the period</b>		<u>9,133,399</u>	<u>8,749,024</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 2012**

	Note	2012 \$	2011 \$
<b>Equity</b>			
Partnership Equity		9,133,399	8,749,024
<b>Total Partnership Equity</b>		9,133,399	8,749,024
<b>Current Liabilities</b>			
Trade Payables	4	-	13,933
Sundry Payables and Accruals	4	16,000	42,567
GST Payable		7,485	-
<b>Total Current Liabilities</b>		23,485	56,500
<b>Non-Current Liabilities</b>			
Deferred Management Fee	9	51,708	101,642
Silverwood Joint Venture	5	3,987,158	3,987,158
<b>Total Non-Current Liabilities</b>		4,038,866	4,088,800
<b>Total Liabilities</b>		4,062,351	4,145,300
<b>Total Equity and Liabilities</b>		13,195,750	12,894,324
<b>Non-Current Assets</b>			
Share in Silverwood Joint Venture	5	7,708,008	7,336,137
Future Access Purchase Options		40,000	40,000
Whitby Corporation Ltd Shares	18	45,000	-
<b>Total Non-Current Assets</b>		7,793,008	7,376,137
<b>Current Assets</b>			
Cash and Bank		586,679	630,116
Trade Receivables		55,145	124,184
GST Receivable		-	2,969
Land Stock	6	4,760,918	4,760,918
Designated Land	7	-	-
<b>Total Current Assets</b>		5,402,742	5,518,187
<b>Total Assets</b>		13,195,750	12,894,324

For and on behalf of the Board of Directors:

Dated: 6 June 2012

Director: .....

Director: [Signature]

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 2012**

	Note	2012 \$	2011 \$
<b><u>Cash Flows from Operating Activities</u></b>			
Cash was provided from:			
NZTA Land and Cost Recovery		122,228	7,250,000
NZTA Land Rent Received		-	4,813
GST Received		12,535	774
SFP closing bank balance		276	
Bank Interest Received		16,058	24,309
		<u>151,097</u>	<u>7,279,896</u>
Cash was applied to:			
Bank charges		148	282
JV Lot 1 & 2 Investment		-	5,000,000
Interest Paid		-	40,279
Payment to lost SFP Unit holders- now found		15,361	-
Payment to suppliers		134,025	102,529
		<u>149,534</u>	<u>5,143,090</u>
Net Cash used in Operating Activities	11	<u>1,563</u>	<u>2,136,806</u>
<b><u>Cash Flows from Investing Activities</u></b>			
Cash was applied to: \$500 p/u Capital Distribution July 2010		-	(524,000)
Whitby Corporation Ltd - shares	18	(45,000)	-
Net Cash from Investing Activities		<u>(45,000)</u>	<u>(524,000)</u>
<b><u>Cash Flow from Financing Activities</u></b>			
Cash was provided from:			
Transfer from Silverwood Forest Partnership		-	-
Loan from Whitby Corporation Limited		-	-
Cash was applied to:			
Repay Loan Silverwood Forest Partnership		-	939,378
Loan from Whitby Corporation Limited		-	103,241
Net Cash from Financing Activities		<u>-</u>	<u>(1,042,619)</u>
Net Increase (decrease) in cash held		(43,437)	570,187
Opening cash balance		630,116	59,929
Ending Cash carried forward		<u>586,679</u>	<u>630,116</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 2012**

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**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 performed or incurred.

**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 2012**

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**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 2012**

<b>1. OTHER OPERATING EXPENSES</b>	<b>2012</b>	<b>2011</b>
Operating expenses includes:	<b>\$</b>	<b>\$</b>
Auditors' Remuneration - (SLP and JV)	8,500	7,600
 <b>2. NET FINANCING COSTS</b>		
Interest Received (includes JV )	28,757	45,742
Interest Expense	-	(40,279)
Net Financing Income (Costs)	<u>28,757</u>	<u>5,463</u>
 <b>3. INCOME TAX EXPENSE</b>		
Current Tax Expense	-	-
<b>Reconciliation of Effective Tax Rate</b>		
Net Profit (Loss) Before Tax	<u>388,181</u>	<u>6,358,825</u>
Non Taxable Capital Gain	-	6,400,445
Income (Loss) distributed to Partners	388,181	(41,620)
(Partners need to refer to the "Tax Letter" provided)		
 <b>4. TRADE PAYABLES AND ACCRUALS</b>		
Trade Payables	-	13,933
Accruals	16,000	42,567
	<u>16,000</u>	<u>56,500</u>
 <b>5. ACCOUNTING FOR JOINT VENTURE</b>		
Investment in Silverwood Joint Venture		
Opening Value of 50% Share	7,336,137	7,294,378
Share of Net Profit	375,677	48,442
Withholding Tax Transferred	(3,806)	(6,683)
	<u>7,708,008</u>	<u>7,336,137</u>
 Opening Liability to Silverwood Joint Venture	3,987,158	8,987,158
Less Funds Introduced to Partnership	-	(5,000,000)
 <b>Liability to Silverwood Joint Venture</b>	<u><b>3,987,158</b></u>	<u><b>3,987,158</b></u>

Silverwood Forest Corporation Limited and Company - Land Partnership entered into a Joint Venture Agreement (covering Lots 1 & 2) 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.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY  
LAND PARTNERSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st MARCH 2012**

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<b>6. LAND STOCK</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Land Stock	4,760,918	4,760,918

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.

<b>7. DESIGNATED LAND</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Designated Land	-	-

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 2012.

For the year ended 31 March 2012 the Directors were paid \$9,304 each for the Land Partnership 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. The cpi increases from 2006 to 2011 were adjusted to fees paid in the year ended 31 March 2012.

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, the \$6,200 cost for four units is \$1,550 per unit. A distribution of \$500 per unit was made in July 2010 resulting in a net cost per unit to unitholders of \$1,050.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY  
LAND PARTNERSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st MARCH 2012**

**9. CONTINGENCIES**

There are no contingent liabilities as at 31 March 2012 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 2012 of \$9,133,399 plus the \$524,000 Capital Repayment made to Unit Holders in July 2010.

**10. RELATED PARTY TRANSACTIONS**

**i) Related Party Transactions**

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

		2012	2011
		\$	\$
<b>Net Invoices received for SLP from:</b>	<b>Interested Party:</b>		
Aratas Consulting Services Limited	Malcolm Johnson	10,234	6,497
Peter Bould CA Limited	Peter Bould	9,483	5,743
Tiedemann & Partners	Peter Tiedemann	24,000	24,000
Wholesale Products Trading Limited	Peter Tiedemann	12,749	9,747
Valley Management Services	Tony Loveday	13,405	5,961
		<u>69,871</u>	<u>51,948</u>

All transactions were conducted at arm's length.

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

	\$	\$
<b>Net Operating Profit / (Loss) and Total Comprehensive Income</b>	<u>388,181</u>	<u>6,358,825</u>
<u>Adjusted by items not involving cash flows</u>		
JV Lot 1 & 2 Investment	-	(5,000,000)
JV Profits	(375,677)	(48,442)
	<u>12,504</u>	<u>1,310,383</u>
<u>Impact of changes in working capital items</u>		
(Increase)/decrease in GST refund due	2,969	2,253
(Increase)/decrease in Receivables	69,039	(114,993)
Increase/(decrease) in Payables and Accruals	(40,500)	(2,801)
Increase/(decrease) in GST Payable	7,485	-
Decrease in Land Stock	-	840,322
Increase/(decrease) in Deferred Management Fee Liability	(49,934)	101,642
	<u>(10,941)</u>	<u>826,423</u>
<b>Net cash received / (used) in operating activities</b>	<u>1,563</u>	<u>2,136,806</u>

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY  
LAND PARTNERSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st MARCH 2012**

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**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.

**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 the Silverwood Joint Venture. Interest will be internally allocated by the Silverwood Joint Venture at 11% per annum for the current year to February 2012, after which it is reduced to 9% (2011 - 11%, before titles were issued in July 2010 it was 13%). This risk was further reduced by the Partnership paying \$5,000,000 towards this loan in 2010.

**v) Market Risk**

Due to the 2008 economic downturn, sales of residential sections have slowed. Whilst this downward trend reversed somewhat in this financial 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.

**SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY  
LAND PARTNERSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st MARCH 2012**

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**14 INVESTMENT**

The Partnership has reduced its liability to the Lot 1 and 2 Joint Venture by investing \$5,000,000 in August 2010 towards development costs incurred to build 194 residential sections.

**15 NZTA TRANSACTION**

In June 2010 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 amounted to \$6,400,445.

**16 COST OF SALES**

The Cost of Sales represents mainly costs relating to JV section sales.

**17 ADMINISTRATIVE EXPENSES**

This includes \$211,455 relating to JV. (2011 \$161,867)

**18. WHITBY CORPORATION LTD**

During the year a distressed WCL shareholder wished to sell their WCL shares. Independent advice was provided and the shares were listed for some months on [www.silverwoodcorporation.co.nz](http://www.silverwoodcorporation.co.nz) without takers. SLP purchased 150,000 shares at 30cents per share.(2011 \$Nil)