



**SILVERWOOD
FOREST**
CORPORATION LIMITED AND COMPANY

SILVERWOOD FOREST PARTNERSHIP

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007**

PRINCIPAL ACTIVITY
Forestry

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DIRECTORY

DIRECTORS OF THE GENERAL PARTNER SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY

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

BUSINESS ADDRESS

c/- Tiedemann & Partners
300 Richmond Road, Grey Lynn
PO Box 84 101, Westgate 0657
AUCKLAND

SOLICITORS

Castle Brown
L4 19 Morgan Street, Newmarket
AUCKLAND

ACCOUNTANTS

Peter Bould CA Limited
L1 408 Khyber Pass, Newmarket
AUCKLAND

BANKER

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

AUDITOR

Cole-Baker and Company
L10 203 Queen Street,
AUCKLAND

STATUTORY SUPERVISOR

Prince & Partners Trustee Company Limited
L9 50 Anzac Avenue
AUCKLAND

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

We have audited the financial statements on pages 3 to 11. The financial statements provide information about the past financial performance of the company and its financial position at 31 March 2007. The information is stated in accordance with the accounting policies set out in page 8 of the financial statements.

Directors' Responsibilities

The directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the company as at balance date and the results of operations and cashflows for the year ended 31 March 2007.

Auditor's Responsibilities

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

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- significant estimates and judgements made by the directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We have conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Unqualified Opinion

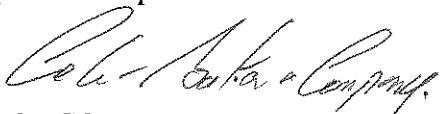
We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements on pages 3 to 11:
 - comply with New Zealand accepted accounting practice; and
 - give a true and fair view in accordance with the accounting policies described in page 8 of the financial statements of the financial position of the company as at 31 March 2007 and the results of its operations and cashflows for the year ended on that date.

Our audit was completed on 18 July 2007 and our opinion is expressed as at that date.

AUCKLAND 18 July 2007


for COLE-BAKER AND COMPANY
Chartered Accountants

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY

SILVERWOOD FOREST PARTNERSHIP

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2007

		2007 \$	2006 \$
FORESTRY INCOME			
Income From Logging	-		-
Income from Storm Damage Claim	292,685	292,685	72,705
			<u>72,705</u>
FORESTRY EXPENSES			
Direct Forestry Expenditure			
Fire Hydrant License Fee	-		144
Forestry Management	1,934		3,411
Forestry Maintenance- (Recovered)	9,900		10,605
Planting - (Recovered)	48,708		-
Mapping	-		-
Insurance - Fire	(Note 6)		-
Rates	1,045		1,046
Cost to claim - (incl storm damage)	-		3,806
Final Harvest Costs	9,206		-
	-		93,103
			<u>-</u>
TOTAL FORESTRY EXPENDITURE		70,793	112,115
Administration Expenses			
Accounting Fees			
AGM	1,954		2,013
Audit Fee	1,705		957
Bank Charges	1,482		2,306
General Expense	129		74
Depreciation	51		-
Interest - National Bank of NZ	(Note 5)		-
Printing & Stationery	7		-
Secretarial Services	2,184		552
Statutory Supervisor	2,025		1,855
Travel	1,700		1,672
	-		<u>-</u>
TOTAL ADMINISTRATION EXPENDITURE		11,237	9,429
GROSS FORESTRY SURPLUS/(DEFICIT)		<u>210,655</u>	<u>(48,839)</u>

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

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY

SILVERWOOD FOREST PARTNERSHIP

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2007

		2007 \$	2006 \$
GROSS FORESTRY SURPLUS/(DEFICIT)		210,655	(48,839)
OTHER INCOME			
Interest received National Bank of New Zealand	-		
Interest - Silverwood Land Partnership	63,877		24,117
Interest - IRD	11		3,063
TOTAL OTHER INCOME		63,888	27,180
OTHER EXPENSES			
Revaluation of Forest on Revenue Account	(9,583)		(11,874)
Directors Fees	8,800		9,700
Meeting Expenses	1,004		
Consultants and Professional Fees	-		1,696
TOTAL OTHER EXPENSES		221	(478)
NET FORESTRY SURPLUS/(DEFICIT)	(Note 3)	<u>274,322</u>	<u>(21,181)</u>

The attached notes form part of and should be read in conjunction with these financial statements.

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY

SILVERWOOD FOREST PARTNERSHIP

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2007

		2007	2006
		\$	\$
PARTNERSHIP EQUITY AT BEGINNING OF THE YEAR		766,040	787,220
SURPLUS/(DEFICIT)			
Net Forestry operating income/(loss)	(Note 3)	274,322	(21,181)
CAPITAL			
Return of Capital	(Note 4)	-	-
TOTAL PARTNERSHIP EQUITY AT END OF THE YEAR		<u>1,040,362</u>	<u>766,040</u>

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

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY

SILVERWOOD FOREST PARTNERSHIP

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2007

		2007 \$	2006 \$
TOTAL PARTNERSHIP EQUITY	(Note 4 & 7)	1,040,362	766,040
CURRENT LIABILITIES			
Accounts Payable and Accruals	6,300		1,913
Capital Distribution (held in trust)	(2,000)		(2,000)
GST Receivable	(1,753)		(4,096)
TOTAL CURRENT LIABILITIES		2,547	(4,183)
TOTAL FUNDS INVESTED		1,042,909	761,857
REPRESENTED BY:			
CURRENT ASSETS			
General Partner - Funds Held in Trust			
National Bank of New Zealand - Current A/c	11,386		176,736
Loan to Silverwood Land Partnership	765,729		331,237
Trade and other Debtors	816		-
Resident Withholding Tax	-		10
TOTAL CURRENT ASSETS		777,932	507,983
NON CURRENT ASSETS	(Note 5)		
Forest	263,457		253,874
Website	1,520		-
TOTAL NON CURRENT ASSETS		264,977	253,874
TOTAL ASSETS		1,042,909	761,857

DIRECTOR.....

18/7/2007

DIRECTOR.....

18/7/2007

DIRECTORS OF THE GENERAL PARTNER (SILVERWOOD FOREST CORPORATION LIMITED)

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

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY

SILVERWOOD FOREST PARTNERSHIP

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2007

		2007 \$	2006 \$
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash was provided from:			
Income from Wind throw Claim	329,270		81,793
GST received	11,973		8,073
Joint Venture reimbursements	10,484		
Interest received	-		24,117
		351,727	113,983
Cash was applied to:			
Payments to Suppliers	99,742		157,232
GST paid	34,765		34,346
		134,507	191,578
Net Cash used in Operating Activities	(Note 8)	217,220	(77,595)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Cash was provided from:			
Resident Withholding Tax Refunded	-		-
Silverwood Land Partnership debt reduction	-		-
		-	-
Cash was applied to:			
Payments on behalf of Land Partnership	-		-
Resident Withholding Tax deducted	-		-
		-	-
Net Cash from Investing Activities		-	-
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Cash was applied to:			
Trf of Investment A/c bal. to SLP 1.4.06	(175,572)		1,000
Transfers to SLP	(325,000)		291,874
Transfers from SLP	118,000		-
Net Cash from Financing Activities		(382,572)	(292,874)
Net Increase/(Decrease) in cash held		(165,352)	(370,469)
Plus Opening cash brought forward		176,736	547,205
Ending Cash carried forward		11,384	176,736
Represented by:			
National Bank of New Zealand Ltd - Current Account		11,386	176,736
		11,386	176,736

The attached notes form part of and should be read in conjunction with these financial statements.

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY

SILVERWOOD FOREST PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

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

MEASUREMENT BASE

The accounting principles recognized as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis except for forest crops (which are biological assets), which are measured at fair value less estimated point of sales costs.

SPECIFIC ACCOUNTING POLICIES

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

- (a) **Non Current Assets**
Forest is valued at the revaluation as disclosed in Note 5.
Other Non Current Assets are valued at cost less accumulated depreciation.
- (b) **Goods and Services Tax**
These Financial Statements have been prepared exclusive of Goods and Services Taxation with the exception of Debtors and Creditors.
- (c) **Accounts Receivable**
Accounts Receivable are recorded at net realizable value.
- (d) **Changes in Accounting Policies**
Change in valuation of the forest crop is now reflected in the Statement of Financial Performance and then forms part of Revenue Reserves within Equity. Previously, changes in valuation were reflected directly within Equity as part of Capital Reserves. The change is effective from the 2004 year.
There are no other changes to accounting policies, all other policies have been applied on bases consistent with those used in previous years.

2. GENERAL PARTNER

The General Partner, Silverwood Forest Corporation Limited, conducts all the day to day operations of the Forest Partnership. It holds all funds, pays all accounts, manages all contracts and invests all funds in terms of the Deed of Participation on behalf of the Forest Partnership.

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

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY

SILVERWOOD FOREST PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

3. TAX LOSSES

Up to and including 2005 tax losses are not allocated to individual partners as the loss remains within the Special Partnership. These losses are carried forward and will be available to off-set against future taxable profits.

Tax Deficits brought forward from 2005		\$
LESS: 2007 Surplus (Net of revaluations)		(269,580)
Less Valuation Adjustment	274,322	
	<u>9,583</u>	
Total Tax Deficits carried forward to 2008 subject to assessment		<u>264,739</u>
		<u>(4,841)</u>

Note: As per Note 1 (a) and (d) the profit on revaluation of the forest crop is not included for taxation purposes.

4. CAPITAL INTRODUCED

The capital of the Partnership is divided into 158 units. All calls on capital have been made and there is no capital outstanding. In 1997 SFP made a return of capital totaling \$268,600. A distribution of \$632,000 was made in June 2003 plus one in September 2004 for \$158,000. The total of these distributions does not reduce total equity below the aggregate amount stated in the Deed of Participation, as required by s59 Partnership Act 1908.

Capital	Per Unit	Total
LESS: Distribution 1997	12,800	2,022,400
Distribution 2004	(1,700)	(268,600)
Distribution 2005	(4,000)	(632,000)
	(1,000)	(158,000)
Balance	<u>6,100</u>	<u>963,800</u>

5. NON CURRENT ASSETS

Forest Purchase and Revaluation

The Partnership purchased an established forest and associated forestry rights, in 1991, for a total purchase price of \$1,251,000. The Judgeford Forest Right was sold in 1997. All harvesting at Whitby finished early 2005.

Forest	Titaramonga	
Hectares	64.5	
Purchase Price	<u>149,000</u>	
Net Revaluations Dec 1991 to 2003	479,250	
Revaluation 31 March 2004	(318,393)	
Revaluation 31 March 2005	(67,857)	
Revaluation 31 March 2006	11,874	
Revaluation 31 March 2007	<u>9,583</u>	
TOTAL Net of Revaluations	<u>114,457</u>	
	Forest Value	<u>263,457</u>

Plantation forest crop is stated at valuation as determined every year. The basis of valuation is fair value less estimated point-of-sale costs. The value is estimated by the present value of expected net cash flows from the forest crop, assuming the Partnership will harvest and market the produce. The present value of the plantation forest crop is calculated as the excess pre-tax cash inflows from the standing plantation over future costs of harvesting, transporting and marketing the logs produced, applying a discount rate of 12.0% estimating the overall return from the forest plantation.

Roading

No roading costs have been capitalized for the Titaramonga Forest.

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

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY

SILVERWOOD FOREST PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

6. INSURANCE

The following insurance cover is held by the Partnership:

Broad form Liability Insurance from 16/1/07

Titaramonga trees against fire(\$350k), wind throw (\$445k), re-establishment (\$50k)

7. ACCUMULATED LOSSES

Operating Losses

Opening Accumulated Losses

Current Year Profit

TOTAL OPERATING PROFIT (LOSS) CARRIED FORWARD

Revaluation of Forest

Summary of Revaluations 1991 to 2006

114,457

NET REVALUATION OF FOREST CARRIED FORWARD

TOTAL ACCUMULATED INCOME/(LOSSES)

Note: That the loss in 2006 of \$33,055 was attributed to the Special Partners and is not available to be carried forward

8. RECONCILIATION OF STATEMENT OF CASH FLOWS WITH OPERATING SURPLUS

Net operating Profit/(Loss)

Adjusted by items not involving cash flows

RWT write off

Website

Revaluation of Forests

Accrued interest on intercompany loan

Impact of changes in working capital items

Increase/(Decrease) in GST payment due

(Increase)/Decrease in receivables & Accruals

Increase/(Decrease) in accrued payables & Accruals

Creditors paid by SLP

Net cash received/(used) in operating activities

9. TRANSACTIONS WITH RELATED PARTIES

During the year the following suppliers paid are related parties by being directors of SFCL:

Invoices received from:

Aratas Consulting Services Limited

Peter Bould CA Limited

Tiedemann & Partners

Valley Management Services

Interested Party:

Malcolm Johnson

Peter Bould

Peter Tiedemann

Tony Loveday

Paid:

\$ 2,200

\$ 3,444

\$ 20,681

\$ 3,532

All the above transactions were carried out under normal trading terms and conditions.

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

SILVERWOOD FOREST CORPORATION LIMITED AND COMPANY

SILVERWOOD FOREST PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

10. **POST BALANCE DATE EVENT:**
Partnership None (2006 claim payments and costs to be finalized)
11. **CAPITAL COMMITMENTS:**
Partnership Nil (2006 Nil)
12. **CONTINGENT LIABILITIES:**
Partnership Nil (2006 Nil)

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