

## **Silverwood Land 2015 Limited Partnership**

### **Annual Report for the year ended 31 March 2018 ("2018 accounting period")**

#### **Introduction**

The Financial Markets Conduct Act 2013 requires the manager of the Silverwood Land 2015 Limited Partnership to prepare an annual report on the affairs of the scheme during the accounting period ending on the balance date. The contents of the annual report are prescribed by the Financial Markets Conduct Regulations 2014 and should be read in conjunction with the audited annual financial statements.

#### **Details of the Scheme**

The name of the scheme is Silverwood Land 2015 Limited Partnership (the "**Limited Partnership**"). It is a managed investment scheme under the Financial Markets Conduct Act 2013 ("**FMC Act**"). The Limited Partnership is managed by its general partner, Silverwood Corporation Limited which, in turn, contracts the day-to-day management to Wholesale Products Trading Limited (the "**Manager**"). The supervisor of the Limited Partnership is Covenant Trustee Services Limited (the "**Supervisor**").

The Limited Partnership is a closed scheme which was established long before the FMC Act came into effect and is not open for new investment. As a result, there is no product disclosure statement for the Limited Partnership and the Limited Partnership is eligible for the exemptions from certain governing document, licensing, independent custody and other compliance obligations under the FMC Act provided by the Financial Markets Conduct (Silverwood Land 2015 Limited Partnership) Exemption Notice 2016 which was promptly circulated to all the Limited Partnership unit holders

The Limited Partnership's latest financial statements and auditor's report for the 2018 accounting period were lodged with the Registrar on 29 June 2018 – 8:11am and made available to all unit holders via email attachment and the [www.silverwood.co.nz](http://www.silverwood.co.nz) website in June 2018.

#### **Description of the scheme**

The Limited Partnership is a closed scheme which was established under the Securities Act 1978, by a registered prospectus dated 10 September 1990, as a special partnership under the (then) Part 2 of the Partnerships Act 1908. It subsequently transitioned to become a limited partnership from 1 April 2015 under the Limited Partnerships Act 2008.

Two Limited Partnerships were originally established to invest in both forests and a forested land block. Subsequently, the forests were sold and / or harvested and the forest special partnership was wound up. The land scheme is now in wind up mode with its sole activity being to dispose of its remaining land assets at Whitby, Porirua, near Wellington.

The Limited Partnership was originally an investment in a single block of land which provided a forestry right to its associated special forest partnership. Investors have already received returns on the forest investment and, as a result of the sales of land, also from its Limited Land Partnership. Further returns will arise from the sales of the balance of the Limited Partnership's land and settlements of land taken by PCC and NZTA.

## Information on composition of the Scheme

The Limited Partnership is closed to new investment. The number of limited partnership units on issue at the start of the 2017 accounting period was 1,048. In the 2018 accounting period this changed from 1,048 to 1,013,851 units – see the 25 November 2017 email below:

To: All Silverwood Land 2015 Limited Partnership (SLP) unit holders  
From: Silverwood Directors  
Date: 25 November 2017  
Re: Board Approvals to make a \$500 distribution and to do a 1000 for 1 SLP unit split  
Cc: Registered Office / Accountant  
Statutory Supervisor  
Auditor

The directors have agreed to pay all Silverwood Unit Holders a distribution of \$500 per unit. This also automatically triggers the 2006 deferred fee agreement of 11%. This means Silverwood pays its unit holders  $1048 \times \$500 = \$524,000$  with the related expense of \$57,640. Payments to NZ bank accounts have been made this week, non NZ bank accounts will receive before 12 December 2017.

524 Silverwood units, being 50% of the 1,048 SLP units issued, is held by Whitby Corporation Ltd (WCL), before 1990 the owners of all Silverwood land and forests. The shareholders of WCL have requested WCL pays WCL shareholders their equity proportion in cash and part of their 524 Silverwood units. SLP cannot issue fractions of one unit to meet the WCL request. Directors have therefore agreed to issue a one thousand (1,000) for one (1) unit split. This has two advantages:

It draws in the 147 WCL shareholders into Silverwood owning one or more Silverwood units adding to the same 524 units WCL currently holds, but, like your units, now multiplied by 1000. It saves WCL shareholders costs of filings, accountants, auditors, directors fees, etc. Many SLP unit holders own four (4) SLP units, which after 1 December has become 4,000 SLP units. No Dollar changes occur in the balance sheet, therefore your original unit value of the SLP equity becomes 1/1000<sup>th</sup> of the same equity, but you have 1000 time your units so the Total \$ stays the same. In time of you needing cash you can now offer for sale a much more suitable parcel then you could before 1 December 2017. We expect therefore an enhanced trade in Silverwood units because the unit value is 1/1000<sup>th</sup> per unit. The unit numbers have been multiplied by 1000 and there are now 147 more SLP unit holders making it about 247 unit holders compared to 100 currently.

Please note the following:

Some years ago SLP purchased WCL shares from a distressed WCL shareholder as can be seen on SLP Balance Sheets. These now lapse, reducing the total of SLP units of 1,048,000 units from 1 December 2017 to 1,013,851 units. This increases each unit value a little and reduces the Balance Sheet equity a little, however your Total \$ Value invested remains unchanged.

Two WCL shareholders have lost contact with WCL, this is currently being advertised and the WCL liquidator will ensure their interests are addressed.

Tony Loveday and Peter Tiedemann have been directors of WCL since inception and 2000 respectively. Tony is a trustee for 2 SLP units and director for WCL's 524 units, in total 526 or 50.19%, with his WCL interest added, but WCL gone, this now becomes 53,150 units or 5.24%. Peter Tiedemann is a trustee for 7,000 (0.67% of total) SLP units and, with WCL part added and after 1000 for 1 this becomes 18,571 SLP units or 1.83% of the 1,013,851 units issued.

Peter Bould and Malcolm Johnson have no financial interest in WCL. Peter Bould is a trustee for 10,000 units as at 1 December and controls a further 116,000 SLP units being a director of two SLP unit holding companies (a total of 12.42%) and Malcolm, is a trustee and beneficiary for 6,000 SLP units (0.59%).

In summary the above means a distribution has been made this week of \$500 per unit and, after this distribution, there will be a unit split of 1000 per 1 SLP unit which does not change anything re your \$ holdings in SLP it merely changes the number of units you hold.

Kindly address any queries you may have by simply answering this email with your question(s) and I will come back to you. Please do not phone me as I am unavailable until 9 December 2017. Kind Regards, Peter Tiedemann

No questions have been received and the changes described above have been implemented in the 2018 accounting period.

## Changes relating to the Scheme

The Limited Partnership transitioned to the FMC Act compliance regime on 9 December 2016.

Material changes to the nature of the Limited Partnership, the investment objectives and strategy, or the management of the Limited Partnership during the 2017 accounting period are as follows:

- **Governing documents:** As a result of the Limited Partnership being able to rely on the exemptions provided by the Financial Markets Conduct (Silverwood Land 2015 Limited Partnership) Exemption Notice 2016, no changes were made to the governing documents (being the Limited Partnership Agreement and Deed of Participation) as part of the transition to the FMC Act compliance regime.
- **The terms of offer of interest in the Scheme:** The Limited Partnership is a closed scheme and, as a result, there is no product disclosure statement for the Limited Partnership, the Limited Partnership is not open for new investment and there have been no changes to the terms of offer of interests (LP Units) in the Limited Partnership during the 2018 accounting period.
- **The investment objectives and policy of the Scheme's Funds ("SIPO"):** A SIPO was lodged at the time the Limited Partnership transitioned to the FMC Act compliance regime. There have been no changes to the SIPO during the 2018 accounting period.
- **Related party transactions:** The Limited Partnership paid or accrued a total of \$272,965 to related parties during the 2018 accounting period (\$2017 \$487,447). These amounts included deferred management fees of \$41,920 to Wholesale Products Trading Limited, a company associated with Peter Tiedemann (a director of Silverwood Corporation Limited – the General Partner of the Limited Partnership) – which had been deferred until the proceeds of sale of the Limited Partnership's land was available for distribution to investors. Because one distribution was able to be made in the 2018 accounting period – a proportion of those deferred fees were able to be paid.

Except as described in the preceding paragraph, there have been no material changes to the nature or scale of those related party transactions which comprise directors' fees payable to the directors of Silverwood Corporation Limited or fees and expenses paid for the day-to-day administration of the Limited Partnership during the 2018 accounting period.

There have been no related party transactions during the 2018 accounting period not on an arm's-length basis.

In addition, as 50% of the LP units in the Limited Partnership were owned by Whitby Corporation Limited ("**Whitby**"), an entity directed by Peter Tiedemann and Tony Loveday (who are also directors of Silverwood Corporation – the General Partner) any transactions with Whitby, including distributions, were treated as related party transactions.

There have been no material changes during the 2018 accounting period to the Limited Partnerships' valuation methodologies. The Limited Partnership's land assets are recorded at the lower of cost or realisable value.. The value of interest of holders of LP Units in the Limited Partnership is only likely to be realised when the balance of the Limited Partnership's land stock is sold and settlements re land taken in prior accounting periods are settled. Regular land valuations provided to the auditors exceed recorded values.

There have been no material changes during the 2018 accounting period to the Limited Partnerships' valuation methodologies. Whilst the Limited Partnership is "unitised" in that the interest of investors (limited partners) is denominated into LP Units - there is no market price of the LP Units. Instead, the annual financial statements of the Limited Partnership disclose a calculation of the net assets of the Limited Partnership as at the balance date – which can then be divided by the number of LP Units on issue to derive a value per LP Unit. Using this methodology, the indicative value for the LP Units in the Limited Partnership at the

end of the 2018 accounting period was **\$5.04 per unit** after making capital distributions during the 2018 accounting period of \$525,815. Directors do not provide or recommend unit values.

### Financial condition and performance of the scheme

Because the Limited Partnership has received its share of the proceeds of the sale of sections by the Silverwood Joint Venture, which in turn were distributed to investors during the 2018 and prior accounting periods, the scheme's financial condition and financial performance notes a continuation of the changes that started to occur during the previous accounting period. This includes:

- further land revenue - largely as result of the receipt of its share of some of the proceeds of the sale of sections by the Silverwood Joint Venture;
- further recognition of costs – being the costs of land provided to the Silverwood Joint Venture and the Limited Partnership's share of the administrative and marketing costs of the joint venture;
- distributions of the Limited Partnership's share of some of the net proceeds of sale of sections by the Silverwood Joint Venture; and
- payment of deferred management fees accrued in respect of the management of the Limited Partnership in earlier years.

Because the manner in which the Limited Partnership has realised its land assets, including the impact of significant land takings by the New Zealand Transport Agency and the Porirua City Council (primarily for the Transmission Gully motorway development and associated link roads) and associated compensation arrangements, it is not considered feasible to provide a comparison between any prospective information about the scheme or returns on the managed investment products (being LLP Units) and actual returns.

In any event, any such prospective information was provided in 1990 and, because of the material changes that have impacted the Limited Partnership in the intervening period, any such comparison, even when the balance of the Limited Partnership's land stock has been sold, is likely to be of little value to scheme participants.

### Fees

The following fees and expenses were charged in respect of the Limited Partnership in dollars and as the percentage of the Limited Partnership's total assets (\$5,161,727) in for the 12-month period to 31 March 2017.

<b>Fees and expenses</b>	<b>Amount (\$)</b>	<b>% of Total Assets</b>
Auditor's remuneration	18,500	0.36
Other assurance costs	1,500	0.03
Other administrative expenses	185,863	3.63
Administrative expenses of Silverwood Joint Venture*	84,026	1.64
Marketing costs of Silverwood Joint Venture*	2,319	0.05

- \* The Limited Partnership entered into a joint venture in 2002 in respect of the development on Lots 1 & 2 of the Limited Partnership's land at Whitby, Porirua. The Limited Partnership provided the land and its joint venture partner initially provided finance for the joint venture and supervised the development and sale of residential sections. All sections were sold in the joint venture development by the first half of the 2017 accounting period and the joint venture ceased as at 30 September 2016.

The Limited Partnership incurred a share of the administrative expenses and marketing costs for the joint venture and, during the 2018 accounting period, received its final share of the net proceeds of sale of sections in the development.

For more information about fees and expenses, please refer to the published KPMG audited Limited Partnership's financial statements.

External administrative and supervision costs and other third party fees, such as audit fees, are subject to agreement on an annual basis. Notice of changes to fees paid to external third parties will be communicated in the annual financial statements.

The costs, including exemption costs, associated with transitioning to the Limited Partnerships Act and the FMC Act regime were one-offs that were imposed by virtue of being compelled to transition to those statutory regimes.

### **Scheme property**

The Limited Partnership's property is comprised of the balance of its land at Whitby, Porirua, near Wellington. All land held by the Limited Partnership is for sale and is classified as land stock for financial reporting purposes. The land held by the Limited Partnership since 1990 was subdivided into six large lots. Lots 1 & 2 were committed to the Silverwood Joint Venture (and was subdivided and sold by the joint venture).

All remaining land stock is currently carried in the Limited Partnership's financial statements at its deemed historic cost (after allowance for the disposal of land that has occurred). The Limited Partnership has also incurred reductions in its land holdings as a result of land takings by the New Zealand Transport Agency and the Porirua City Council (primarily for the Transmission Gully motorway development and associated link roads) for which advance payments have been received – with further compensation possible.

The Limited Partnership's financial statements also record a carrying cost for a share of the land and improvements associated with the Silverwood Joint Venture. These costs are accumulated until such time as the joint venture sells and settles the sections. Upon sale an estimate of the cost incurred on each section is expensed and the Limited Partnership received its final share of the net proceeds of sale in the 2018 accounting period.

Because the Limited Partnership commenced the sale of the balance of its land stock, there has been substantive change to the composition of the Limited Partnership's land holdings over the 2018 accounting period. As a result, any change to the value of the Limited Partnership's net assets is primarily reflected in the change brought about by the distribution of receipts of its share of the proceeds of section sales by the Silverwood Joint Venture (and a consequent reduction in the carrying cost of its share of the land improvements undertaken by the joint venture) and the sale of part of its land stock.

### **Changes to persons involved in the Scheme**

- **General Partner:** There were no changes to the General Partner, the shareholders or directors of the General Partner of the General Partner during the 2018 accounting period.
- **Securities registrar, custodian, auditor:** The General Partner maintains the unit register of LP Units in the Limited Partnership.

As a result of the Limited Partnership being able to rely on the exemptions provided by the Financial Markets Conduct (Silverwood Land 2015 Limited Partnership) Exemption Notice 2016 there is no separate custodian of the assets of the Limited Partnership.

There have been no changes to the auditor of the Limited Partnership during the 2018 accounting period.

### **How to find further information**

Copies of documents relating to the Scheme, such as the Governing Documents (being the Limited Partnership Agreement and Deed of Participation), SIPO, and annual financial statements are available on the Disclose Register at [www.business.govt.nz/companies/disclose](http://www.business.govt.nz/companies/disclose) scheme number SCH 11747.

Investors (Limited Partners) may request, at any time, copies of the Governing Documents (being the Limited Partnership Agreement and Deed of Participation), SIPO, most recent financial statements, and most recent annual report for the Limited Partnership by viewing [www.silverwood.co.nz](http://www.silverwood.co.nz) or contacting the General Partner at:

Silverwood Corporation Limited  
PO Box 84101, Westgate  
Auckland 0657  
Attention: Peter Tiedemann  
Telephone: (021) 764 664  
Email: [pect@xtra.co.nz](mailto:pect@xtra.co.nz)

Copies of the above documents are available on [www.silverwood.co.nz](http://www.silverwood.co.nz) and may be provided free of charge (except for the Governing Documents (being the Limited Partnership Agreement and Deed of Participation) for which a reasonable fee may apply) on request to the General Partner. These documents are also available for public inspection at the register office of the General Partner (Geoff Bowker CA, Level 3, 142 Broadway, Newmarket, Auckland, 1023) and on the Disclose Register.

### **Contact details and complaints**

Manager: Silverwood Corporation Limited  
PO Box 84101, Westgate  
Auckland 0657  
Attention: Peter Tiedemann  
Telephone: (021) 764 664  
Email: [pect@xtra.co.nz](mailto:pect@xtra.co.nz)

Supervisor: Covenant Trustee Services Limited  
Level 14, 191 Queen Street, Auckland, 1010  
Attention: General Manager  
Freephone: [0800 268 362](tel:0800268362)  
Email: [team@covenant.co.nz](mailto:team@covenant.co.nz)

The parent company of the Supervisor (Perpetual Guardian) is a member of Financial Services Complaints Limited ("FSCL") an approved dispute resolution scheme. Under the Perpetual Guardian client charter, members of the Perpetual Guardian group aim to resolve disputes quickly and fairly and set out the steps necessary for a resolution and the timeframe in which the dispute will be remedied. If a client is still dissatisfied with the service provided to them by a member of the Perpetual Guardian group, then the client can refer the matter to FSCL at:

Financial Services Complaints Limited  
Level 4, 101 Lambton Quay  
PO Box 5967  
Lambton Quay

Wellington 6145  
Telephone: 0800 347 257

Full details on how to access the FSCL scheme can be obtained from its website [www.fscl.org.nz](http://www.fscl.org.nz). There is no cost to use the services of FSCL.