



Beehive Creek Forestry Partnership

Annual Report for the year ended 31 December 2005

CONTENTS

Reports Highlights	1
Manager's Report	1
Financial Reports for year ended 31 December 2005	
Statement of financial performance	3
Statement of movements in equity	3
Statement of financial position	4
Statement of cash flows	5
Notes to the financial statements	6
Auditor's Report	13
Forest Auditor's Report	14
Pruning Summary	15
Partner's share of interest and tax losses	16
Directory	17



REPORT HIGHLIGHTS

Annual General Meeting

Please note that in last years Annual Report it was proposed that Partners resolve not to hold an annual meeting but deal with the standard items of business by resolution. This special resolution, requiring 75% of Partners to complete a postal voting form was passed. Partners that wish to visit the forest will be welcome to join the Manager for the forest inspection and will be advised separately when that is to occur.

Completing Your Tax Return

Tax details for the financial year ended 31 March 2006 are set out on page 16 of this report. Each Partner will still need to complete an IR3 tax return or as appropriate for Trust Partners or Companies.

Investment Calls

Call dates remain on 1 March and 30 June. The next payment therefore is due on the 30 June this year. Payments will be as follows:

Due Date	Amount per Unit
1 March, 2006	\$229.00
30 June, 2006	\$47.00
1 March, 2007	\$240.00

Manager's Report

INTRODUCTION

This report from the Manager has been prepared using the information provided by New Zealand Pine Management (NZPM), the forest manager. Forme Consulting has audited the work completed by the forest manager and their report is included on [page 14](#).

THE FEBRUARY 2004 STORM

In February 2004 the Manawatu , Rangitikei and Wanganui regions were struck by a series of storms that have caused chaos in the region. Heavy rainfall of up to 350mm in 24 hours was followed immediately by 150km winds. Beehive Creek Forest was fortunate to survive these storms with minimal damage to the trees. However, some damage occurred to the access road when the stream that flows under the road rose and scoured out the culvert. This access has now been repaired at no cost to the shareholders. A "ford" was installed instead of the culvert so that access would not be a problem in the future. It was interesting to see the very high level of erosion damage to the neighbouring properties to Beehive creek. The properties which were planted in pasture had sustained high levels of erosion which in some gullies appeared to be upto 40% of the land area. The forested areas had suffered virtually no erosion and therefore no loss of productivity. It clearly showed the value of forestry in retaining the soil structure and acting as an ecologically sound method of utilising the land.

HIGH PRUNING – part of compartment 9

The scheduled high pruning of part of compartment 9 has been not yet been completed. This is scheduled to be completed this summer season.



FUTURE TENDING REQUIREMENTS

With the completion of compartment 9, all of the thinning and pruning has now been completed.

Separate inventory plots will be installed for each of the different years the trees were first planted being 1994, 1995 and 1996. From the inventory plots a regular measurement can be maintained and a report provided to Partners on the growth and development of their forest.

FORESTRY TRACKS

Due to the storm and thinning some of the forestry tracks are now blocked. The forest manager has recommended having a digger go through and open all of the tracks sometime soon.

PEST CONTROL

The possum numbers this year have been kept under control by a pest control team that was short of work; they have poisoned and trapped the forest for the fur that they get off the possums. This operation has been completed at no cost to the Forest owners.

Goats seen have been shot by New Zealand Pine Management staff and by local permitted hunters; consequently the numbers of goats in the forests are low.

TREE HEALTH

The trees are exhibiting good colour and have benefited from good growing conditions experienced in spring and summer. There is no sign of significant pest or disease problems.

FOREST SUMMARY

Forest growth and development during the past few months has been excellent during a warm and wet summer.

Michael Millar
Managing Director
Investment Services Limited



Statement of financial performance
For the year ended 31 December 2005

	<i>Note</i>	2005 \$	2004 \$
Revenue			
Interest received		3,166	1,163
		<hr/>	<hr/>
		3,166	1,163
		<hr/>	<hr/>
Expenses			
Forest	2	12,957	34,127
Administration	3	10,592	11,459
		<hr/>	<hr/>
		23,549	45,586
		<hr/>	<hr/>
Net deficit		20,383	44,423
		<hr/> <hr/>	<hr/> <hr/>

Statement of movements in equity
For the year ended 31 December 2005

	2005 \$	2004 \$
Opening equity	397,482	400,706
Total recognised revenue and expenses for the year	(20,383)	(44,423)
Contribution from owners	62,234	41,583
Distributions to owners	(1,041)	(384)
	<hr/>	<hr/>
Closing equity	438,292	397,483
	<hr/> <hr/>	<hr/> <hr/>



Statement of financial position
As at 31 December 2005

	<i>Note</i>	2005 \$	2004 \$
<i>Partners' equity</i> (75 Partnership units on issue)		438,292	397,482
		<hr/>	<hr/>
<i>Current assets</i>			
Cash and bank balances	4	81,773	42,329
GST refund due		994	529
Sundry debtors		3,712	2,669
		<hr/>	<hr/>
		86,479	45,527
		<hr/>	<hr/>
<i>Non-current assets</i>			
Land and Forest	5	361,917	361,917
		<hr/>	<hr/>
Total assets		448,396	407,444
		<hr/>	<hr/>
<i>Current liabilities</i>			
Accounts payable		426	98
Sundry creditors		4,832	4,174
Prepaid contributions		4,846	5,690
		<hr/>	<hr/>
Total liabilities		10,104	9,962
		<hr/>	<hr/>
Net assets		438,292	397,482
		<hr/>	<hr/>



Statement of cash flows
As at 31 December 2005

	<i>Note</i>	2005 \$	2004 \$
Operating activities			
<i>Cash was provided by</i>			
Interest received		3,166	1,163
		<hr/>	<hr/>
		3,166	1,163
		<hr/>	<hr/>
<i>Cash was used for</i>			
Payments to suppliers		24,071	46,685
		<hr/>	<hr/>
<i>Net cash flows from operating activities</i>	9	(20,905)	(45,522)
		<hr/>	<hr/>
Financing activities			
<i>Cash was provided by</i>			
Contributions from partners		61,390	41,027
		<hr/>	<hr/>
<i>Cash was used for</i>			
Resident withholding tax paid		1,041	384
		<hr/>	<hr/>
<i>Net cash flows from financing activities</i>		60,349	40,643
		<hr/>	<hr/>
Net cash flows		39,444	(4,879)
Opening cash and bank balances	4	42,329	47,208
		<hr/>	<hr/>
Closing cash and bank balances	4	81,773	42,329
		<hr/> <hr/>	<hr/> <hr/>



Notes to the financial statements

1 Statement of accounting policies

Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice and on the basis of historical cost. There have been no changes in accounting policy during the current year and the accounting policies adopted are consistent with those of the previous year.

Land and Forest

Land and cost of timber are stated at cost. Forest development is the amount paid for the trees that had already been planted at the time of purchase plus additional costs capitalised for planting, releasing, pruning and thinning.

For accounting purposes the costs of establishing the partnership's forests are carried forward until the timber is harvested at which time the costs are matched with associated revenues.

GST

The financial statements have been prepared on a GST exclusive basis.

Instruments

All financial instruments of the partnership are recognised in the statement of financial position. The partnership has no off-balance sheet financial instruments. All financial instruments are included at their face values, which in all instances represent their fair values at balance date.

2 Forest expenses

	<i>2005</i>	<i>2004</i>
	\$	\$
Forest management	2,404	4,918
Insurance	2,790	2,340
Management fees	3,850	3,850
Pruning and thinning	2,586	22,063
Rates	1,327	956
	<hr/>	<hr/>
	12,957	34,127
	<hr/> <hr/>	<hr/> <hr/>



Notes to the financial statements (continued)

3 Administration expenses

	<i>2005</i>	<i>2004</i>
	\$	\$
Accounting	2,837	2,706
Audit fees	782	970
Bank charges	84	101
General expenses	171	909
Statutory supervisor and registry	4,718	4,650
Valuation and forestry audit	2,000	2,123
	<hr/>	<hr/>
	10,592	11,459
	<hr/> <hr/>	<hr/> <hr/>

4 Cash and bank balances

	<i>2005</i>	<i>2004</i>
	\$	\$
ANZ National Bank	81,773	42,329
	<hr/>	<hr/>
	81,773	42,329
	<hr/> <hr/>	<hr/> <hr/>

5 Land and Forest

	<i>2005</i>	<i>2004</i>
	\$	\$
<i>Land</i>		
At cost price	282,000	282,000
<i>Forest development</i>		
At cost price	79,917	79,917
	<hr/>	<hr/>
Total net book value	361,917	361,917
	<hr/> <hr/>	<hr/> <hr/>



Notes to the financial statements (continued)

5 Land and Forest (continued)

Knight Frank has independently valued the land as at 1 February 2006 at \$510,500. Forre Consulting Group Limited, forest industry consultants, has independently valued the forest. Their valuation as at 31 December 2005 assessed the net present value of the Beehive Creek Forest (based on a theoretical economic model and using a pre-tax discount rate of 9%) to be:

	<i>2005</i> \$	<i>2004</i> \$
Crop expectation value	624,700	562,500
Land expectation value	510,500	468,700
	<hr/>	<hr/>
Forest expectation value	1,135,200	1,031,200
	<hr/> <hr/>	<hr/> <hr/>

This valuation does not necessarily represent the actual market value of the Forest. If sold the proceeds relating to the forest would be subject to taxation in the hands of the partners.

6 Taxation

Under the Income Tax Amendment Act 1994 the costs incurred by a forestry business in planting, tending and maintaining a crop of trees are fully deductible against partnership income from any source on a current year basis. Any losses incurred by the partnership during the years preceding the commencement of clear felling may be offset against partners' other income. Income derived from the sale of forest produce is taxable when received, however section DL 1 Income Tax Act 1994 provides that this income may be spread over the year of receipt and preceding years.

	<i>2005</i> \$	<i>2004</i> \$
Net deficit per financial statements	(20,383)	(44,423)
	<hr/>	<hr/>
Taxable loss available to partners	(20,383)	(44,423)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)



6 Taxation (continued)

This is made up as follows:

	<i>2005 RWT Credit \$</i>	<i>2005 Gross Income \$</i>	<i>2004 RWT Credit \$</i>	<i>2004 Gross Income \$</i>
Interest income	1,041	3,166	384	1,163
Trading deficit	-	(23,549)	-	(45,586)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,041	(20,383)	384	(44,423)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

7 Partners contributions

Each partner shall bear the expenses and damages incidental to the affairs of the partnership in proportion to the number of shares held by each partner. Accordingly, in order for the partnership to meet the cost of development as referred to in the prospectus, annual contributions will be required from the partners. For detail of the original projected contributions required refer to the partnership prospectus of 15 March 1996.

8 Prospective financial information

On 15 March 1996 the partnership issued a prospectus showing a projected cashflow statement for balance dates of 31 March 1996 to 31 March 2025.

The published prospectus information is based upon a 31 March balance date whereas the Partnership's balance date is 31 December. Therefore the comparison is of actual trading for the year ended 31 December 2005 compared to projected figures for 12 months to 31 March 2006.

The variation from the projections presented in the prospectus, results from changes in the timing of pruning expenditure and cost inflation.



8 Prospective financial information (continued)

	<i>12 Mths Actual to 31 Dec 2005 \$</i>	<i>12 Mths Prospectus to 31 Mar 2006 \$</i>	<i>12 Mths Actual to 31 Dec 2004 \$</i>	<i>12 Mths Prospectus to 31 Mar 2005 \$</i>
Statement of financial performance				
Total operating revenue	3,166	893	1,163	893
<i>Expenditure</i>				
Forest	12,957	47,939	34,127	47,939
Administration	10,592	8,900	11,459	8,900
	23,549	56,839	45,586	56,839
Net deficit	(20,383)	(55,946)	(44,423)	(55,946)
Statement of financial position				
Equity	438,292	151,087	397,482	207,033
Non current assets	361,917	151,087	361,917	207,033
Current assets	86,479	-	45,527	-
Current liabilities	(10,104)	-	(9,962)	-
Net assets	438,292	151,087	397,482	207,033
Statement of cashflows				
Net cashflows from operating activities	(20,905)	(55,946)	(45,522)	(55,946)
Net cashflows from financing activities	60,349	63,300	40,643	41,700
	39,444	7,354	(4,879)	(14,246)

Notes to the financial statements (continued)



9 Net cash flow from operating activities

	2005	2004
	\$	\$
Net deficit	(20,383)	(44,423)
	<hr/>	<hr/>
<i>Item classified as investing or financing activity</i>		
<i>Movements in working capital items</i>		
Decrease/(Increase) in net GST refund	(465)	(26)
Decrease/(Increase) in sundry debtors	(1,043)	(1,112)
Increase/(Decrease) in accounts payable	328	(264)
Increase/(Decrease) in sundry creditors	658	303
	<hr/>	<hr/>
	(522)	(1,099)
	<hr/>	<hr/>
Net cash flows into operating activities	(20,905)	(45,522)
	<hr/> <hr/>	<hr/> <hr/>

10 Financial Instruments

Credit Risk

Credit risk amounts are represented by cash and bank balances. There is a concentration of credit risk exposure through having all cash and bank balances invested with one party. This risk is managed by the cash and bank balances being invested with a substantial registered bank.

Interest Rate Risk

Interest bearing deposits were invested at balance date on short maturity terms such that interest rates applicable to them will be re-priced to current interest rates three monthly.

Fair Values

The carrying values of financial assets and liabilities are equivalent to their fair values

Notes to the financial statements (continued)



11 Related Parties

The Partnership made no payments to related parties during the year.

12 Commitments

The Partnership has no commitments at balance date (2004:Nil).

13 Contingencies

The Partnership has no contingencies at balance date (2004:Nil).

audit



Forme report



Pruning summary





**Beehive Creek Forestry Partnership
Schedule of taxable loss and interest**

For year ended 31 December 2005

Partners Name	Units in Partnership	% in Partnership	Interest Received	RWT	Share of Loss
M C Dixon	1	1.33	42.21	13.88	313.98
J W Duff	1	1.33	42.21	13.88	313.98
M T & A M Enticott	1	1.33	42.21	13.88	313.98
J P Beck	1	1.33	42.21	13.88	313.98
C M A Hamilton	1	1.33	42.21	13.88	313.98
C K Hopkins	1	1.33	42.21	13.88	313.98
Z M A Karl	1	1.33	42.21	13.88	313.98
L A & K M Lay	1	1.33	42.21	13.88	313.98
K J Lynn	2	2.67	84.42	27.76	627.96
M McKenzie	1	1.33	42.21	13.88	313.98
D F McLean & Others (Tiree 1 Trust)	1	1.33	42.21	13.88	313.98
F B Newton	1	1.33	42.21	13.88	313.98
Quantum Nominees Limited	57	76.00	2,406.09	791.11	17,897.11
G K Stark	1	1.33	42.21	13.88	313.98
M P Thompson	1	1.33	42.21	13.88	313.98
W H & A K Webber	1	1.33	42.21	13.88	313.98
A Went	2	2.67	84.42	27.76	627.96
	75	100	3,165.87	1,040.95	23,548.75



Directory

Nature of business

Forestry investment

IRD number

66-081-818

Partners contributions

75 investment units comprising of participatory securities paid to 8,506 = \$637,950.

Accountant

Investment Services Limited
P O Box 3637
Richmond 7031

Auditor

Richards Woodhouse
Trafalgar Street
Nelson

Banker

The ANZ National Bank
1 Victoria Street
Wellington

Manager

Investment Services Limited
P O Box 3637
Richmond 7031
Phone 03 544 2005
Email info@investmentservices.co.nz

Directors of the Manager

Michael John Millar
Peter Owen Rickards

Statutory Supervisor

Trustee Executors Limited
P O Box 3222
Wellington

Forest Manager

New Zealand Pine Management Limited
P O Box 432
Wanganui

Forest Auditor/Valuer

Forme Consulting Group Limited
P O Box 56-030
Tawa
Wellington

Land Valuer

Knight Frank
Brian H Samson Associate
P O Box 1441
Palmerston North

Solicitors

McFadden McMeeken Phillips
187 Bridge Street
Nelson

Registry

Investment Services Limited
P O Box 3637
Richmond 7031