



SILVERWOOD
FOREST
CORPORATION LIMITED AND COMPANY

NEWSLETTER

14 July 2007

AGM: The directors invite all unit holders to attend the Annual General Meeting for Silverwood Forest Partnership (SFP) and Silverwood Land Partnership (SLP) which will be held on *Tuesday August 14th at 4.00pm.*

Location: Lincoln Green Hotel & Conference Centre
159 Lincoln Road, Henderson
AUCKLAND

Proxy: Please complete the attached proxy if you are unable to attend the meeting. It is important that this is completed to ensure we have a quorum of registered unit holders present. The proxy is to register your attendance only, not voting rights.

Annual Accounts: A full set of audited accounts for both the Forest Partnership and the Land Partnership is available on our website www.silverwoodforest.co.nz

SFP:
(158 units)

'04 closing equity was \$1,552,000 (Forest \$1,474K and \$ 78K other)
'05 closing equity is \$ 787,000 (Forest \$ 242K and \$545K other)
'06 closing equity is \$ 765,000 (Forest \$ 254K and \$511K other)
'07 closing equity is \$1,040,000 (Forest \$ 263K and \$777K other)
(This suggests a SFP *book value* of \$6,500 per unit as at 31 March 2007)
A \$1,000 per unit capital repayment was mailed in September 2004.
Costs have now been reduced to a minimum to reflect a 'holding position'.

Whitby Forest:

- The harvesting of the forest at Whitby, damaged by storms, was completed in 2005. Final MAF payment towards storm costs and loss of revenues was received in October 2006. It included compensations towards costs incurred in earlier periods. This is the main reason for this year to be in profit.
- SFP funds have been invested in SLP to earn interest to recover SFP losses.

Titaramonga Forest:

- An independent valuation was received recommending an improvement in '07 value of \$10K over '06 to \$263K

- Our attempts to achieve a sale of mature trees and/or forestry rights did not provide us with a safe and attractive offer.

SLP:

(1048 units)

'04 closing equity was \$3,819,000 (Land \$3,890K and -\$ 71K other)
 '05 closing equity is \$4,546,000 (Land \$4,735K and -\$189K other)
 '06 closing equity is \$4,845,000 (Land \$5,200K and -\$355K other)
 '07 closing equity is \$4,868,000 (Land \$5,300K and -\$432K other)

(This suggests a SLP *book value* of \$4,600 per unit as at 31 March 2007)

(In April '06 an independent valuer valued the land for accounting purposes 31 March '06 and this was adjusted for our interest in the Silverwood JV to 31/3/07))

The 1990 Prospectus states (p5): "Investors will recognise the potential associated with the land and the opportunities which may arise at the time the land becomes available for development once logging has been completed." The loss of the Whitby forest caused us to act:

- Titles** A Resource Consent Application (RCA) has gone to council for the 212 ha of our land at Whitby to be subdivided into six titles. We continue to await Transit consent to enable us to complete this.
- 200 + Titles**
1. Lot 1 – A 52 sections RCA for residential development is in progress
 2. Lot 2 – A 167 sections RCA has been approved. SLP replanting to help this and other Lots development has been completed. The earthmoving contract is over 95% complete; the civil contract has been let. Pending weather, sections should come to market in the last quarter of this year. Some photos can be viewed on our web site www.silverwoodforest.co.nz
- More Titles** An agreement has been reached with Verplank Ltd for further JV's covering
3. Lot 3 (28.2 ha) includes in part our earlier Stage III. We have been active in this Lot with our neighbours, Transit, PCC and others to agree access and layout.
 4. Lot 4 (33.4 ha) is located in the central part and is zoned suburban. We are currently negotiating road access from Whitby.
 5. Lot 5 (27.5 ha) is located south east. We have been active to achieve road access over our encumbrance and support a neighbour's private plan change for a 'cluster' development so we may follow a similar approach.
 6. Lot 6 (45.5 ha) is located south west and is substantive rural.

OTHER:

SLP has repaid its loans by borrowing from SFP. This allows SLP mortgage encumbrances to be lifted and reduces costs during subdivision while at the same time helping SFP to recover past losses.

Last year we highlighted tax changes where today profits are still used to reduce carried forward losses, but where losses (before non-taxable revaluations) are now deducted from unit holder's own income year by year. We recommend you consult with your accountant in respect of your proportion of the SLP 2007 losses claimable by you. We will post a letter providing assistance with IRD on our web site.

Kind Regards,
 Peter Tiedemann

