



SILVERWOOD
FOREST
CORPORATION LIMITED AND COMPANY

NEWSLETTER

25 August 2008

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 23 September at 4.00pm* in the Anchor Church, corner of James Cook drive and Joseph Banks Drive in Whitby.

VISIT: The directors invite all unit holders to view the first fifty sections for sale at Silverwood Whitby Estate, Endeavour Drive, Whitby and to walk through the streets where once the Whitby forest grew and where now close to 200 sections have been developed. Join us at 2.30pm at *Silverwood Residential Estate* off Endeavour Drive Whitby

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 form is to register your attendance only and does not affect your voting rights.

Annual Accounts: The full accounts for both the Forest Partnership and the Land Partnership have been posted on our website www.silverwoodcorporation.co.nz
NOTE 1: The website name has changed – please change settings.
NOTE 2: All our accounts meet NZ GAAP and IFRS requirements.

SFP:
(158 units)

'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)
'08 closing equity is	\$1,101,532	(Forest \$ 270K and \$831K other)

(This suggests a current SFP *book value* of \$7,000p/u for net paid investment of \$6,100p/u)

Whitby Forest:

- Funds received from harvesting have been invested in SLP to earn interest.

Titaramonga Forest:

- The valuation suggests an improvement in 2008 value of \$ 7 K over 2007.
- Attempts to-date to sell mature trees and/or forestry rights have not provided us with a safe and attractive offer.

- Payment: The Directors will be recommending a payment of \$5,000p/u on re-payment of the loan to SLP expected in 2009.

SLP:
(1048 units)

'04 closing equity is	\$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)
'08 closing equity is	\$4,873,213	(Land*\$5,514K and -\$641K other)

(This suggests a current SLP *book value* of \$4,650p/u for net paid investment of \$1,550p/u)

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."

Until 1998 the land was recorded in our accounts at cost of \$509K, valued at GV in 1999 at \$650K, in 2000 valued at \$2.4M (Young), at 2001 unchanged, at 2002 \$3.5M (Sheldons), at 2003 same, at 2004 \$3.9M (Sheldons), at 2005 \$4.7M (Sheldons), at 2006 \$5.2M (Sheldons), at 2007 \$5.3M. The financial accounts reflected only the net portion of the JV which would belong to SLP. In 2008 Sheldons again valued all the land, including our JV partner's interest, at \$17.3M + GST. This reflects the development progress on our land at the date of valuation. To comply with the new International Financial Reporting Standards (IFRS) the 2008 accounts show the land at valuation until 2006 after which the land is treated as stock in trade by adding only costs related to holding this stock.

The introduction of Carrus Corporation as our joint venture partner has been positive for SLP. Carrus brings to the table its considerable expertise and long experience in residential developments together with industry contacts and other important relationships all of which are value adding. SLP is fortunate to be in a joint venture with one of New Zealand's premiere residential developers.

JV Lots 1&2

1. Lot 1 – A 20 to 50 rural / residential section subdivision is under evaluation
2. Lot 2 – A 167 section RCA has been approved and the 50 Lots South have been completed and the 117 Lots North are expected to be for sale this time next year. The latest Silverwood Section Sales report states 8 sections are under contract incl. 1 for a premium show home and 1 section to our neighbour for providing access. Future section sales will depend on the general economic conditions prevailing at the time, interest rates, the supply and demand of sections and competition in the market place. These factors, together with the working capital needs of the joint venture in progressing the development, will impact the timing of cash payments to investors in the future.
3. We are visiting the first sections released earlier this year on Tuesday the 23rd of September at 2.30pm, before our AGM.


JV Lots 3 to 6

4. Lot 3 (28.2 ha) at the end of James Cook Drive, our neighbour is currently developing the James Cook / Navigation Drive intersection and we are in the planning stages.
5. Lot 4 (33.4 ha) at the end of Spy Glass Lane where our neighbour is extending the road to meet Navigation drive and we are in the planning stages.
6. Lot 5 (27.5 ha) is located south east. Our neighbour has received council consent to a private plan change for a cluster rural residential development.
7. Lot 6 (45.5 ha) is located south west and has been replanted or left for re-growth

OTHER:

- SLP has borrowed all SFP available funds of \$831,387
- Please refer your accountant to our website when he/she does your 2008 tax returns, Peter Bould's TAX LETTER will explain the 2008 SFP tax due by you and the SLP tax deduction you can claim!
- The Transmission Gully Motorway Designation cuts through our land at Whitby and directors will be happy to address your questions at the AGM in the normal manner. We will display plans and diagrams which will give unit holders a good idea of the scope of our development overall and the potential effects of Transmission Gully on the development.
- The 2006 directors fees agreement has been posted to our website, please note the compensation for deferred fees does not start until after all unit holders have been repaid 300% or 3 x their funds invested, being the sum of **\$4,845,000**. It should also be noted that time value of money considerations will also potentially impact the value of directors' deferred compensation.
- Google earth gives clear views of our forest at Titaramonga and our land at Whitby.
- Your directors look forward to reporting exciting progress in the current financial year.

I hope to meet you all 'on site',
Kind Regards,
Peter Tiedemann

A handwritten signature in cursive script that reads "Peter". The signature is written in black ink and is positioned above a long, thin horizontal line that extends across the width of the signature.