



SILVERWOOD
FOREST
CORPORATION LIMITED AND COMPANY

NEWSLETTER

14 September 2010

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 12 October 2010 at 3.30 pm** in the Anchor Church, corner of James Cook drive and Joseph Banks Drive in Whitby.

Please Return the two sided Dissolution Motion & Proxy Form enclosed.

The attached proxy & dissolution motion forms need to be returned if you are unable to attend the meeting. This year it is critical that this is done because

1. **The completed SFP Motion is required from ALL SFP unit holders in order that SFP can be dissolved and so remaining funds can be distributed.**
2. **The completed Proxy is needed to ensure we have a quorum of registered unit holders present. The proxy is to register your attendance only, not voting rights.**
3. **Please ensure your address label attached to the Proxy Form is correct for the anticipated cash distribution**

VISIT: The directors invite all unit holders to view the sections for sale at Silverwood Whitby Estate, Endeavour Drive, Whitby and to drive through the streets where the first few houses are going up. Join us at 2.30pm at **Silverwood Residential Estate**, off Endeavour Drive Whitby, followed with nibbles and tea at 3pm at the Anchor Church for a 3.30pm AGM start.

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: All our accounts meet NZ GAAP and IFR standards. The AGM Agenda can also be viewed there.

SFP:
(158 units)

'07 closing equity is	\$1,040,000	(Forest \$ 263K and \$777K other)
'08 closing equity is	\$1,101,532	(Forest \$ 270K and \$831K other)
'09 closing equity is	\$1,136,078	(Forest \$ 278K and \$858K other)
'10 closing equity is	\$1,097,610	(loan/debtors due in cash in 2010)

The SFP loss in 2010 is mainly due to the realisation of the Titaramonga Forest below book value. Unit holders paid in \$12,800 and \$6,700 has been returned to-date.

Note 1 - Titaramonga Forest for Sale:

The Titaramonga Forest Rights were sold for \$200K +GST with payments spread to January 2011. All payments due to-date have been received as per agreement.

Note 2 - SLP loan: The loan was repaid 7 July 2010.

Note 3 - Year End 31 March 2011: With SFP assets converted into cash and due to ongoing high compliance costs, the directors recommend SFP be wound up - if possible in 2010! This depends on the completion of final accounts, settling all IRD RWT, GST and Company Office consents and *receiving ALL SFP unit holders signed SFP Dissolution Certificates* before the process of winding up can be completed and a cheque can be forwarded to all unit holders together with Final Accounts and an independent CA review.

SLP:
(1048 units)

'04 closing equity is	\$3,819,000	(Land \$3,890K and -\$ 71K other)
'06 closing equity is	\$4,845,000	(Land \$5,200K and -\$355K other)
'08 closing equity is	\$4,873,213	(Land \$5,514K and -\$641K other)
'09 closing equity is	\$4,750,208	incl. land at 2007 valuation+ costs since
'10 closing equity is	\$2,920,882	incl. land at 2007 valuation+costs since

\$1,550 per unit has been paid into SLP and \$0 was returned until August 2010 when \$500 per SLP unit was paid to each SLP unit holder.

Note 1: Since IFRS was introduced in 2007 land is valued at 2007 valuation and only costs that can be capitalised are added, all other costs such as site maintenance, administration and interest are expensed. As a consequence our 50% JV loan liability grows faster than our JV asset until section sales exceed running costs.

Note 2: In July 2010 NZTA paid out on its Land Take and Reverse Sensitivity claim. Incl. of GST SLP received \$8,156,250. Subsequently Silverwood has been reimbursed for part of our consultants costs, further claims are expected to be met for fees and disturbance costs. The Land Take represents 25% of SLP available land and was part of the ten year plan approved by directors in 2005 and we are 'running to plan'.

Note 3: As a consequence of settling the NZTA Land Take and Reverse Sensitivity claims, NZTA has, after many years of delays, finally given consent to our six Lot subdivision resource consent application and the six titles were received on settlement. This has two material impacts. Firstly it, belatedly, reduces the unsecured JV interest rate from 13% to a mortgage secured rate of 11%. Secondly the titles add definition to our financial negotiating position as titles can be used in a sale, provide security over, can be developed, is positively reflected in value assessments, etc. Our Lot 5 was partially designated and partially severed and has passed to NZTA in full.

Note 4: After paying GST the \$7.25M cash left from the NZTA Land Take settlement has been used to repay the loans to SFP and Whitby Corporation and reduce the loan to our JV partner by \$5M (that saves us 11% in interest) and, in addition, we paid out \$500 per unit to unit holders. Our 31 March 2011 Balance Sheet will look significantly different.

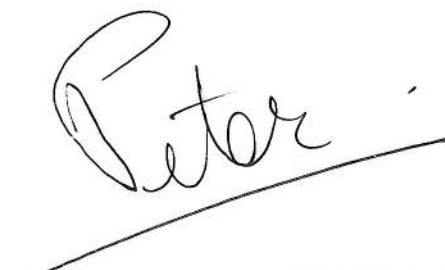
Note 5: NZTA has completed its Stage II plans and these include two feeder roads over our land. These feeder roads (one to Whitby and one to Canon's Creek) are the responsibility of the Porirua Council and potentially funded by NZTA. Therefore further Designations are a possibility. This may affect our Lot 1 and Lot 4 plans.

The Lot 2, two hundred section development, will be completed this coming season and that will provide a wide range of well appointed sections. Sales are below budget but enquiries have picked up and your directors are confident that the quality of the sub division will mean JV profits will be realised in due course. For details see www.cartus.co.nz Lot 6 (45.5 ha) is located south west and has been replanted or left for re-growth

OTHER:

- The TAX LETTER is expected to be on the website later this week.
- *We hope to receive your Dissolution Certificates by return mail so we can get on with closing down SFP.*
- The label shows the number of units recorded under the name and address on the label. Please ensure your name and address shown on the label, on the Proxy Form is correct.
- If you have any questions kindly email or phone and I will try to answer you.

Kind Regards,
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