

NGATAWHAI GROUP FOREST INVESTMENT

**Supplementary Document
(dated 10 September 2020)
and
Product Disclosure Statement
(dated 27 September 2019)**

An offer for shares in the Ngatawhai Group Forest Investment, being a Limited Partnership Structured Investment, offered by Forest Enterprises Growth Limited

Issued and managed by Forest Enterprises Limited



**Forest
Enterprises®**
Creating wealth. Naturally.

Ngatawhai Group Forest Investment Supplementary Document

This document supplements the replacement Product Disclosure Statement (“PDS”) dated 27 September 2019 for an offer of shares in the Ngatawhai Group Forest Investment, being a limited partnership structured investment, offered by Forest Enterprises Growth Limited.

This Supplementary Document is to be read together with the replacement PDS, replacing the PDS dated 23 September 2019. This is the only supplementary document issued.

Dated 10 September 2020

This document and the PDS give you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.companiesoffice.govt.nz/disclose.

Forest Enterprises Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.



Ngatawhai Group Forest Investment Financial Information

Section 6 of the PDS contains Financial Information.

The share price is amended from \$48.63 per share to \$53.255 per share, or \$10,651 for each minimum parcel of 200 shares. This has arisen because the first Call due on 30 June 2020 has been made.

The total Investment Contributions for the period to 31 March 2020 were \$2,917,800 and the total Calls of \$277,500 due on 30 June 2020 have now been paid.

The audited Financial Statements and Annual Report to 31 March 2020 can be downloaded from the Disclose Register.

The principal assumptions in the Cashflow Projection on the Expected Life of the Investment are still valid. At the time the PDS was issued, 36-month average log prices to 30 June 2019 were used as the basis for projected harvest revenue. This translated to \$42,905 per hectare for all trees planted from 2012 onwards. If log prices were updated to 36-month average prices to 31 March 2020, the equivalent revenue per hectare would be \$42,678 per hectare. After balance date, spot prices for logs have reduced but the 36-month average is still at similar levels.

Set out on the following pages is the Key Information Summary from the PDS. This is updated to reflect the increased price for the minimum shareholding because the date for the first Call has now passed.

A further change to the Key Information Summary is the amendment to establishment net stocked area in the table in the Key Existing and proposed Scheme Property section, where establishment areas have been amended to reflect updated estimates of net stocked area which are around 15 hectares (2%) less than the original plan.

All section and page references in the key information summary refer to the PDS.



1. Key Information Summary

1.1. What is this?

This is an Offer of shares in Ngatawhai Group Forest Investment, a forest-owning **Managed Investment Scheme** (referred to as the 'Investment' or the 'Scheme'). Your money will be pooled with other investors' money and invested. The Manager of the Scheme, **Forest Enterprises Limited (FEL or the Manager)** invests the money in establishing and maintaining the forest assets for eventual harvest. FEL takes fees for this management. The assets and fees are described in this document. By investing in this Scheme, you are relying on the investment decisions of FEL and returns from the forest assets that the Scheme invests in. There is a risk that you may lose some or all of the money you invest.

Key terms and technical words in this **Product Disclosure Statement (PDS)** are defined or explained in the Glossary which can be found on pages 47 to 50.

1.2. Who manages this Scheme?

FEL is the licensed Manager of the Scheme. **Forest Enterprises Growth Limited (FEG or the Offeror)**, a related party of the Manager, is the Offeror of the shares in the Scheme. Refer to Section 10 *About Forest Enterprises Limited and Others Involved in the Scheme* from page 39 for further details.

1.3. What are you investing in?

General nature of the forestry investment

The Scheme has been structured as a long-term contributory investment in 4 young **second rotation** forests in the Wairarapa region held to harvest when over 610 hectares of trees are mature.

The Scheme will conclude in around 27 years when the youngest trees are mature and harvested. The Investment return should commence in 19 years (around 2038) when the 2012 age class trees are harvested under the **Forest Management Plan** and continue for around 9 years until the remaining trees are harvested and Land sold.

A return on investment will be dependent on income generated from harvest of the Trees, sale of the Land and any replanted Trees on the Land at that time.

Investment objectives and strategy of the Scheme

The Scheme's investment objective and strategy is to acquire the Land, complete the Forest Management Plan to maximise the value of the Trees for eventual harvest and distribute the proceeds to Investors.

Key existing and proposed Scheme Property

The main property of the Scheme is the Land (which is second rotation forestry land classified as **pre-1990 forest land** under the Climate Change Response Act 2002), plus re-planted trees (established or to be re-established). Refer to the table below which sets out the total area (in hectares) of each block of Land.

Block	Year Established													
	1998	2002	2003	2005	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Jacksons Creek	0.0	0.0	0.0	0.0	46.4	22.5	12.5	0.0	0.0	3.6	0.0	30.0	28.7	143.7
Ngatawhai	10.8	8.9	14.6	1.1	0.0	0.0	8.8	0.0	44.8	80.1	66.1	23.9	4.8	263.9
Seaview	0.0	0.0	0.0	0.0	0.0	42.1	17.2	0.0	0.0	0.0	24.9	17.1	35.5	136.8
Te Wharau	0.0	0.0	0.0	0.0	4.5	0.0	2.3	32.0	12.4	16.7	0.0	0.0	0.0	67.9
Total Area (Hectares)	10.8	8.9	14.6	1.1	50.9	64.6	40.8	32.0	57.2	100.4	91.0	71.0	69.0	612.3

Note: Although carbon sequestration is occurring in the forest, no carbon credits will be received by the Scheme under the legislation because it is classified as a pre-1990 forest land.

Key source of borrowings used, or able to be used, in the future to acquire scheme property

The Scheme can borrow, and the Manager has arranged a term loan facility with the Bank of New Zealand (BNZ) which will be used to meet operating expenditure during the first year. An initial drawdown on the loan of \$385,000 will occur so there will be no Investor Calls until 30 June 2020. The maximum borrowings under the term loan is \$385,000.

In addition, the Manager has arranged an operating overdraft with the BNZ of up to \$40,000.



1.4. Key terms of the Offer

Product on Offer	Shares in a Limited Partnership and an equivalent number of beneficially held shares in a General Partner Company of the Limited Partnership.
Minimum Number of Shares Available	The Offeror offers 60,000 shares (the maximum number of shares available) for sale under this PDS.
Minimum Initial Shareholding	The minimum initial investment is 200 shares, but you can invest in any number of additional shares.
Price per 200-share parcel	\$10,651 (Additional shares being \$53,255 per share).
Estimated Future Contributions (Calls) per 200-share parcel	<p>The investment is contributory by nature. Calls are made each year to fund the current year's budget until the Trees are mature and ready for harvest.</p> <p>Calls per 200-share parcel are projected to average around \$1,011 per year from 30 June 2020 for 8 years, then drop to average around \$291 per year until harvest commences in or around 2038. Calls for different share parcel amounts will be pro rata to the 200-share parcel example.</p> <p>In addition, the annual \$60 Investor Administration Fee will be charged once per year regardless of the size of shareholding.</p> <p>Calls and timing will vary from the projections as a consequence of changes over time to the work program in the Plan and prices. These changes may be material although changes to the Plan that have a material cost impact are subject to Investor vote.</p>
Failure to pay Calls	Calls are due on 30 June each year to meet the annual budget. Failure to pay Calls would put the Investor in default and subject to forfeiture of their shares as per the Governing Documents .
Intended Offer Opening Date	7 October 2019
Intended Offer Closing Date	No fixed closing date. Closes when all shares have been sold.
Further Details	For further details on the terms of the offer, see section 5 – Terms of the Offer.

1.5. How you can get your money out

An investment in the Scheme (the Limited Partnership) is not redeemable on demand and there is no fixed date on which you may get your money out.

Your investment in these LP shares can be sold prior to harvest but there is no established market for trading these financial products. This means that you may not be able to find a buyer for your shares. However, Investors can arrange a private sale of their shares, or choose to offer their shares for sale on the **secondary market** operated by FEL.

Money will be distributed to investors once harvest proceeds are received, expected to be from 2038 to 2047. It is anticipated that the Scheme will be wound up following the sale of the Land in 2047. Provided harvest and the sale of the Land occur according to the projected timetable, the investment term is approximately 27 years. See Section 5 *How the Ngatawhai Group Forest Investment Works* from page 20 for more information.

1.6. Key drivers of returns

The Manager considers that the most significant current and future aspects of the Scheme that will have, or may have, an impact on the Scheme's financial performance are:

- Future log prices
- Crop quality and yield at harvest
- Harvest and roading costs

The scale of the Investment, with a geographical spread through the Te Wharau district and a seven-year age class spread, should reduce the impact of any short-term impact of price changes. Furthermore, a robust Forest Management Plan, expertise in forestry management by the Manager and best practice silviculture contribute to the crop quality (and value) at harvest and to managing roading costs. Further information about the key drivers or returns and the key strategies and plans of the Manager in respect of those drivers can be found on page 12 Section 2 *Factors that may affect the financial performance and Investors' returns*.



1.7. Ngatawhai Group Forest Investment financial information

Returns will not be generated until harvest of the forests around 20 years away, so initially the most useful information is projected Calls each year that Investors pay starting on 30 June 2021. For each parcel of 200 shares, Calls per 200 share parcel are projected to be \$981 on 30 June 2021 and \$1,062 on 30 June 2022 plus the annual \$60 Investor Administration Fee paid once each year regardless of the size of shareholding. Calls per 200 share parcel will average around \$1,011 per year from 30 June 2020 for 8 years, then drop to average around \$291 until harvest commences in or around 2038.

Financial Measures for Scheme borrowings

Gearing Ratios

Gearing Ratios tell you how much the Investment owes (debt) as a portion of what it owns (assets).

On acquisition of the 4 Forest Properties	0%
At 31 March 2020	13.0%
At 31 March 2021	12.3%

Interest Cover Ratios

Interest Cover Ratios tell you how much the Investment's net income exceeds interest on its loans (as a multiple). As there is no income other than unrealised forest crop fair value increases, the ratio is negative and of less relevance.

At 31 March 2020	-14
At 31 March 2021	-4

Further information on how these amounts are calculated is included from page 25.

Prospective financial information included in this PDS has been extracted from prospective financial statements prepared in accordance with the Financial Reporting Standard 42: Prospective Financial Statements (FRS 42), which are available on the Offer Register. The prospective financial statements to 31 March 2021 have been subject to a limited assurance engagement and an unmodified opinion has been issued by Baker Tilly Staples Rodway Audit Limited, a copy of which is also included on the Offer Register. Longer term Prospective Financial Information in accordance with FRS 42, not reviewed by Baker Tilly Staples Rodway Audit Limited, are also on the Offer Register.

Property and forest asset valuation

The LP (through the Custodian, TEA Custodians (Forest Enterprises) Limited) purchased the 4 forest properties that will form the property and assets of the Scheme on or about 6 September 2019. The value of those 4 forest properties, calculated on 9 August 2019 was:

Forest Property	Valuation	Value August 2019
Land & Improvements	Morice Ltd	\$1,892,000
Trees + Replanting Receivable	Cost + 3% p.a.	\$1,201,800
		\$3,093,800

The valuation is based on the objective mechanism where the Land component is based on independent land valuations carried out by a registered land valuer and the Tree component of the valuation is based on re-establishment costs incurred by the seller of the properties. For a more detailed explanation see *Acquisition of Key Property* on page 13 in Section 2.

1.8. Key risks of this investment

Investments in Managed Investment Schemes are risky. You should consider whether the degree of uncertainty about Ngatawhai Group Forest Investment's future performance and returns is suitable for you. The price of shares in the Scheme (including the annual Calls on such shares) should reflect the potential returns and the particular risks of these shares in the Scheme. FEL considers that the most significant risk factors that could affect the value of the Forestry Investment are:

Crop Risk	<p>The risk of unfavourable climatic events, disease and fire may cause failure of all or part of the Trees or the forest producing less volume and poorer quality logs at harvest.</p> <p>Mitigating Factors</p> <p>These risks are minimised by careful forest management. Insurance cover is in place to minimise the risk in respect of fire and wind related events. These are second rotation forests with proven history in growing the quantity and quality necessary for a successful tree crop.</p>
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Market Risk	<p>The risk associated with changes in supply and demand for pine logs over time resulting in changes in prices.</p> <p>Mitigating Factors</p> <p>The scale of the forests means that the main harvesting will occur over 9 years and this length of harvest will minimise the impact which cyclical periods of low prices may have on the return.</p>
Operating Environment Risk	<p>The risk that restrictions could be placed on harvesting and/or the cost of compliance increases, the risk of inflation, exchange rate fluctuations and changes in taxation rates and regimes.</p> <p>Mitigating Factors</p> <p>Improvements in harvesting technology and the increased mechanisation of harvesting are trends that are likely to continue to counter compliance cost increases. Cost inflation is likely to be mitigated by revenue inflation. Exchange rate changes and resulting prices changes will be mitigated by the length of harvest as above.</p>
Counterparty Risk	<p>Post-harvest, when the logs are sold, receivables owed to the Scheme which will at various times be held by counterparties such as the buyers of the logs or by FEG as the forestry manager under a Forestry Management Services Agreement with FEL. From this money, the harvest costs are paid, before the resulting net amount is passed back into the custody of the Scheme's Supervisor.</p> <p>Mitigating Factors</p> <p>FEG's marketing and shipping agents require irrevocable letters of credit for payment by overseas buyers. The risk of non-performance by FEG is low because under the FMC Act contracting out by the Manager does not affect the liability of the Manager which remains responsible for the performance of those functions under the Forestry Management Services Agreement. However, to mitigate against the risk of FEG becoming insolvent, the Manager and FEG will have in place trust arrangements over all forest harvest receipts for forests harvested by FEG under the Forest Management Services Agreement.</p>

This summary does not cover all of the risks. You should also read Section 7 *Risks to Returns from Ngatawhai Group Forest Investment* from page 32, and other parts in this PDS that describe risk factors.

1.9. What fees will you pay?

The table below summarises the fees and expenses that you will be charged to invest in this Scheme. Further information about fees is set out in Section 8 *What are the Fees?* from page 35.

The fees in the table are an estimate of fees to be charged to the Scheme in the periods indicated. Each individual Investor's share of these expenses will relate to their pro rata share of the Investment. For example, if an Investor purchases the minimum shareholding of 200 shares, the figures would be divided by 300 for the Investor's share (300 x 200 = 60,000 shares).

Set Up Fees		Ongoing Investment Fees & Expenses		
	Period to 31 March 2020		Period Ended 31 March 2020	Year Ended 31 March 2021
Manager and Associated Persons		Manager and Associated Persons		
Manager's Offeror Fee / Brokerage	\$120,000	Base Management Fee	\$15,980	\$17,564
Legal Fees	\$50,000	Forest Activity Supervision Fee	\$69,500	\$51,312
Other Party Fees		Non harvest Income Fee	\$0	\$0
Legal Fees	\$46,000	Investment Update and indicative Valuation Fee	\$3,300	\$3,300
Supervisor	\$5,000	Harvest Management Fee	\$0	\$0
PDS, Scheme Registration & FMA Levy	\$6,100	Investor Meeting Costs	\$500	\$5,000
Assurance Fees	\$7,900	Disbursements	\$5,000	\$5,000
Total Fees	\$235,000	Other Fees and Expenses		
		Direct Forestry Expenditure	\$335,091	\$248,961
		Supervisor's Fees	\$4,250	\$4,250
		Audit Fees	\$4,500	\$4,500
		Insurance	\$12,408	\$7,601
		Levies	\$0	\$0
		Rates	\$6,390	\$6,390
		Interest Charges	\$23,530	\$24,100
		Legal & Other Professional	\$0	\$0
		Contingency	\$5,500	\$0
		Total	\$485,948	\$377,978

1.10. How will your investment be taxed?

The Investment is not a portfolio investment entity (PIE). See Section 9 *Tax on* page 38 for more information.



NGATAWHAI GROUP FOREST INVESTMENT

Product Disclosure Statement

27 September 2019

This is a replacement Product Disclosure Statement, replacing the Product Disclosure Statement dated 23 September 2019

An offer of shares in the Ngatawhai Group Forest Investment, (a managed investment scheme structured as a limited partnership), offered by Forest Enterprises Growth Limited

Issued and managed by Forest Enterprises Limited

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.companiesoffice.govt.nz/disclose. Forest Enterprises Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you make an investment decision.



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Key terms and technical words in this **Product Disclosure Statement (PDS)** are defined or explained in the Glossary which can be found on pages 47 to 50.

1.2. Who manages this Scheme?

FEL is the licensed Manager of the Scheme. **Forest Enterprises Growth Limited (FEG or the Offeror)**, a related party of the Manager, is the Offeror of the shares in the Scheme. Refer to Section 10 *About Forest Enterprises Limited and Others Involved in the Scheme* from page 39 for further details.

1.3. What are you investing in?

General nature of the forestry investment

The Scheme has been structured as a long-term contributory investment in 4 young **second rotation** forests in the Wairarapa region held to harvest when over 610 hectares of trees are mature.

The Scheme will conclude in around 27 years when the youngest trees are mature and harvested. The Investment return should commence in 19 years (around 2038) when the 2012 age class trees are harvested under the **Forest Management Plan** and continue for around 9 years until the remaining trees are harvested and Land sold.

A return on investment will be dependent on income generated from harvest of the Trees, sale of the Land and any replanted Trees on the Land at that time.

Investment objectives and strategy of the Scheme

The Scheme's investment objective and strategy is to acquire the Land, complete the Forest Management Plan to maximise the value of the Trees for eventual harvest and distribute the proceeds to Investors.

Key existing and proposed Scheme Property

The main property of the Scheme is the Land (which is second rotation forestry land classified as **pre-1990 forest land** under the Climate Change Response Act 2002), plus re-planted trees (established or to be re-established). Refer to the table below which sets out the total area (in hectares) of each block of Land.

Block	Year Established													
	1998	2002	2003	2005	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Jacksons Creek	0.0	0.0	0.0	0.0	46.3	22.5	12.6	0.0	0.0	3.6	0.0	55.0	7.7	147.7
Ngatawhai	10.8	8.9	14.6	1.1	0.0	0.0	11.3	0.0	44.2	80.6	61.3	32.6	5.1	270.5
Seaview	0.0	0.0	0.0	0.0	0.0	42.2	17.5	0.0	0.0	0.0	27.9	9.3	43.8	140.7
Te Wharau	0.0	0.0	0.0	0.0	4.5	0.0	3.2	32.0	11.9	16.8	0.0	0.0	0.0	68.4
Total Area (Hectares)	10.8	8.9	14.6	1.1	50.8	64.7	44.6	32.0	56.1	101.0	89.2	96.9	56.6	627.3

Note: Although carbon sequestration is occurring in the forest, no carbon credits will be received by the Scheme under the legislation because it is classified as a pre-1990 forest land.

Key source of borrowings used, or able to be used, in the future to acquire scheme property

The Scheme can borrow, and the Manager has arranged a term loan facility with the Bank of New Zealand (BNZ) which will be used to meet operating expenditure during the first year. An initial drawdown on the loan of \$385,000 will occur so there will be no Investor Calls until 30 June 2020. The maximum borrowings under the term loan is \$385,000.

In addition, the Manager has arranged an operating overdraft with the BNZ of up to \$40,000.



1.4. Key terms of the Offer

Product on Offer	Shares in a Limited Partnership and an equivalent number of beneficially held shares in a General Partner Company of the Limited Partnership.
Minimum Number of Shares Available	The Offeror offers 60,000 shares (the maximum number of shares available) for sale under this PDS.
Minimum Initial Shareholding	The minimum initial investment is 200 shares, but you can invest in any number of additional shares.
Price per 200-share parcel	\$9,726 (Additional shares being \$48.63 per share).
Estimated Future Contributions (Calls) per 200-share parcel	<p>The investment is contributory by nature. Calls are made each year to fund the current year's budget until the Trees are mature and ready for harvest.</p> <p>Calls per 200-share parcel are projected to average around \$1,011 per year from 30 June 2020 for 8 years, then drop to average around \$291 per year until harvest commences in or around 2038. Calls for different share parcel amounts will be pro rata to the 200-share parcel example.</p> <p>In addition, the annual \$60 Investor Administration Fee will be charged once per year regardless of the size of shareholding.</p> <p>Calls and timing will vary from the projections as a consequence of changes over time to the work program in the Plan and prices. These changes may be material although changes to the Plan that have a material cost impact are subject to Investor vote.</p>
Failure to pay Calls	Calls are due on 30 June each year to meet the annual budget. Failure to pay Calls would put the Investor in default and subject to forfeiture of their shares as per the Governing Documents .
Intended Offer Opening Date	7 October 2019
Intended Offer Closing Date	No fixed closing date. Closes when all shares have been sold.
Further Details	For further details on the terms of the offer, see section 5 – Terms of the Offer.

1.5. How you can get your money out

An investment in the Scheme (the Limited Partnership) is not redeemable on demand and there is no fixed date on which you may get your money out.

Your investment in these LP shares can be sold prior to harvest but there is no established market for trading these financial products. This means that you may not be able to find a buyer for your shares. However, Investors can arrange a private sale of their shares, or choose to offer their shares for sale on the **secondary market** operated by FEL.

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The Manager considers that the most significant current and future aspects of the Scheme that will have, or may have, an impact on the Scheme's financial performance are:

- Future log prices
- Crop quality and yield at harvest
- Harvest and roading costs

The scale of the Investment, with a geographical spread through the Te Wharau district and a seven-year age class spread, should reduce the impact of any short-term impact of price changes. Furthermore, a robust Forest Management Plan, expertise in forestry management by the Manager and best practice silviculture contribute to the crop quality (and value) at harvest and to managing roading costs. Further information about the key drivers or returns and the key strategies and plans of the Manager in respect of those drivers can be found on page 12 Section 2 *Factors that may affect the financial performance and Investors' returns*.



1.7. Ngatawhai Group Forest Investment financial information

Returns will not be generated until harvest of the forests around 20 years away, so initially the most useful information is projected Calls each year that Investors pay starting on 30 June 2020. For each parcel of 200 shares, Calls per 200 share parcel are projected to be \$922 on 30 June 2020 and \$978 on 30 June 2021 plus the annual \$60 Investor Administration Fee paid once each year regardless of the size of shareholding. Calls per 200 share parcel will average around \$1,011 per year from 30 June 2020 for 8 years, then drop to average around \$291 until harvest commences in or around 2038.

Financial Measures for Scheme borrowings

Gearing Ratios

Gearing Ratios tell you how much the Investment owes (debt) as a portion of what it owns (assets).

On acquisition of the 4 Forest Properties	0%
At 31 March 2020	13.0%
At 31 March 2021	12.3%

Interest Cover Ratios

Interest Cover Ratios tell you how much the Investment's net income exceeds interest on its loans (as a multiple). As there is no income other than unrealised forest crop fair value increases, the ratio is negative and of less relevance.

At 31 March 2020	-14
At 31 March 2021	-4

Further information on how these amounts are calculated is included from page 25.

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Forest Property	Valuation	Value August 2019
Land & Improvements	Morice Ltd	\$1,892,000
Trees + Replanting Receivable	Cost + 3% p.a.	\$1,201,800
		\$3,093,800

The valuation is based on the objective mechanism where the Land component is based on independent land valuations carried out by a registered land valuer and the Tree component of the valuation is based on re-establishment costs incurred by the seller of the properties. For a more detailed explanation see *Acquisition of Key Property* on page 13 in Section 2.

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Crop Risk	<p>The risk of unfavourable climatic events, disease and fire may cause failure of all or part of the Trees or the forest producing less volume and poorer quality logs at harvest.</p> <p>Mitigating Factors</p> <p>These risks are minimised by careful forest management. Insurance cover is in place to minimise the risk in respect of fire and wind related events. These are second rotation forests with proven history in growing the quantity and quality necessary for a successful tree crop.</p>
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Market Risk	The risk associated with changes in supply and demand for pine logs over time resulting in changes in prices. Mitigating Factors The scale of the forests means that the main harvesting will occur over 9 years and this length of harvest will minimise the impact which cyclical periods of low prices may have on the return.
Operating Environment Risk	The risk that restrictions could be placed on harvesting and/or the cost of compliance increases, the risk of inflation, exchange rate fluctuations and changes in taxation rates and regimes. Mitigating Factors Improvements in harvesting technology and the increased mechanisation of harvesting are trends that are likely to continue to counter compliance cost increases. Cost inflation is likely to be mitigated by revenue inflation. Exchange rate changes and resulting prices changes will be mitigated by the length of harvest as above.
Counterparty Risk	Post-harvest, when the logs are sold, receivables owed to the Scheme which will at various times be held by counterparties such as the buyers of the logs or by FEG as the forestry manager under a Forestry Management Services Agreement with FEL. From this money, the harvest costs are paid, before the resulting net amount is passed back into the custody of the Scheme's Supervisor . Mitigating Factors FEG's marketing and shipping agents require irrevocable letters of credit for payment by overseas buyers. The risk of non-performance by FEG is low because under the FMC Act contracting out by the Manager does not affect the liability of the Manager which remains responsible for the performance of those functions under the Forestry Management Services Agreement. However, to mitigate against the risk of FEG becoming insolvent, the Manager and FEG will have in place trust arrangements over all forest harvest receipts for forests harvested by FEG under the Forest Management Services Agreement.

This summary does not cover all of the risks. You should also read Section 7 *Risks to Returns from Ngatawhai Group Forest Investment* from page 32, and other parts in this PDS that describe risk factors.

1.9. What fees will you pay?

The table below summarises the fees and expenses that you will be charged to invest in this Scheme. Further information about fees is set out in Section 8 *What are the Fees?* from page 35.

The fees in the table are an estimate of fees to be charged to the Scheme in the periods indicated. Each individual Investor's share of these expenses will relate to their pro rata share of the Investment. For example, if an Investor purchases the minimum shareholding of 200 shares, the figures would be divided by 300 for the Investor's share (300 x 200 = 60,000 shares).

Set Up Fees		Ongoing Investment Fees & Expenses		
Manager and Associated Persons	Period to 31 March 2020	Manager and Associated Persons	Period Ended 31 March 2020	Year Ended 31 March 2021
Manager's Offeror Fee / Brokerage	\$120,000	Base Management Fee	\$15,980	\$17,564
Legal Fees	\$50,000	Forest Activity Supervision Fee	\$69,500	\$51,312
Other Party Fees		Non harvest Income Fee	\$0	\$0
Legal Fees	\$46,000	Investment Update and indicative Valuation Fee	\$3,300	\$3,300
Supervisor	\$5,000	Harvest Management Fee	\$0	\$0
PDS, Scheme Registration & FMA Levy	\$6,100	Investor Meeting Costs	\$500	\$5,000
Assurance Fees	\$7,900	Disbursements	\$5,000	\$5,000
Total Fees	\$235,000	Other Fees and Expenses		
		Direct Forestry Expenditure	\$335,091	\$248,961
		Supervisor's Fees	\$4,250	\$4,250
		Audit Fees	\$4,500	\$4,500
		Insurance	\$12,408	\$7,601
		Levies	\$0	\$0
		Rates	\$6,390	\$6,390
		Interest Charges	\$23,530	\$24,100
		Legal & Other Professional	\$0	\$0
		Contingency	\$5,500	\$0
		Total	\$485,948	\$377,978

1.10. How will your investment be taxed?

The Investment is not a portfolio investment entity (PIE). See Section 9 *Tax on page 38* for more information.





THE FUTURE IS IN TREES

Growing worldwide population and timber demand, combating climate change and deforestation, and the need to move to a low-carbon economy places an imperative on sustainably managed plantation forests.

As the world pursues a low carbon future, renewables are increasingly being sought to substitute carbon intensive alternatives like steel, concrete and plastic, driving timber demand.

Uses range from engineered wood like cross-laminated timber (CLT) for building and construction (e.g. low- to mid-rise commercial and residential buildings) and appearance-grade products for interiors (e.g. wall linings, furniture, composite joinery), to industrial products (e.g. biofuel, adhesives) and consumer goods (e.g. fragrance, footwear, jewellery, textiles, household items).

Photo: Looking skyward amongst mature first rotation trees in the Jacksons Creek Block, prior to harvest in 2017

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Note: Defined terms are presented in **bold** text throughout this document and can be found in the Glossary of Terms on pages 47 to 50.



2. What the Ngatawhai Group Forest Investment Invests In

The key features of the Scheme (often referred to as the 'Investment') are as follows.

Statement of Investment Policy and Objectives

The Manager has adopted a **Statement of Investment Policy and Objectives (SIPO)** for the Scheme which sets out the policies, objectives and investment strategies in respect of its forests. A copy of the SIPO is available on the Scheme Register at www.companiesoffice.govt.nz/disclose by searching 'Ngatawhai Group Forest Investment' under 'Search Schemes'.

The SIPO sets out that the Scheme's only allowable assets are:

- The Land and Trees on the Land;
- Any other assets which relate directly to or arise from investment in the Land and Trees, for example licences permitting farmers to graze stock or beekeepers to maintain hives on the Land, to generate additional revenue;
- Cash deposits with registered New Zealand banks.

The SIPO (which includes the Investment Strategy) may be amended by the Manager following consultation with Trustees Executors Limited, the supervisor for the Scheme (Supervisor). Any material amendment, such as a proposed change which would change the nature of the Scheme or be inconsistent with the Forest Management Plan, would be subject to an Investor vote before being implemented. Refer to Section 5, for further information on investor decision making powers, set out in the Governing Documents.

Investment Strategy

The investment strategy of the Scheme is to implement the Forest Management Plan on the Land to maximise the value of the Trees for eventual harvest and distribute the proceeds to investors.

Given the nature of the Scheme's primary asset (Land and Trees) and its unlisted ownership structure, the Scheme has a long-term investment horizon. The primary objectives of the Scheme is to:

- Preserve and increase the value of the Trees by successfully undertaking the Forest Management Plan, and ensuring that the Forest Management Plan is completed to a high standard, attending to necessary forest development and maintenance to infrastructure such as roads.

The nature of the Scheme's investment is that the key determinants of performance only crystallise on the conversion of the Trees via the harvest of the Trees.

During the term of the Scheme, an indication of the performance of the Scheme is provided in the Annual Report by reporting of -

1. The Investors contributions (Calls paid) to date; and
2. The net cash currently projected from the harvest based upon the assumptions expressed; and
3. The current indicative value of a share in the investment based upon the assumptions expressed.

Investors will also be advised of forest changes that impact on investment performance if they are material. These include, but are not limited to changes in:

- Net stocked area
- Average stems per hectare
- Achievement of the silviculture objectives expressed in the Forest Management Plan
- Projected volume per hectare at harvest



Key Property of the Scheme

The Ngatawhai Group Forest Investment consists of 4 forest properties: Jacksons Creek Forest, Ngatawhai Forest, Seaview Forest and Te Wharau Forest. These properties are located about 40km south-east of Masterton in the Te Wharau district. Access from Masterton is via Te Wharau Road, all of which is sealed. A 3km section of gravel road (Kaiwhata Road) is used to access the Seaview block.

These properties were originally planted from farmland into Radiata pine (**pine**), mostly in the 1980s and early 1990s. These **first rotation** Trees have now been harvested and replanted, with the last of the replanting (about 154.5ha or 25% of the expected total stocked area) to occur in 2019 and 2020.

Legal descriptions

Block	Legal Description
Jacksons Creek	Te Wharau Road, 258.1894ha - CT WN26A/360
Ngatawhai	Te Wharau Road, 397.495ha - CTs WN18A/449, WN20B/1493, WN27C/841, WN32A/228, WN32A/227
Seaview	Kaiwhata Road, 176.0028ha - CT WN953/84
Te Wharau	Te Wharau Road, 77.5395ha - CT WN31D/696

All properties are second rotation forestry land (classified as pre-1990 forest land under the Climate Change Response Act 2002) plus re-planted trees (established or to be re-established) per the table below.

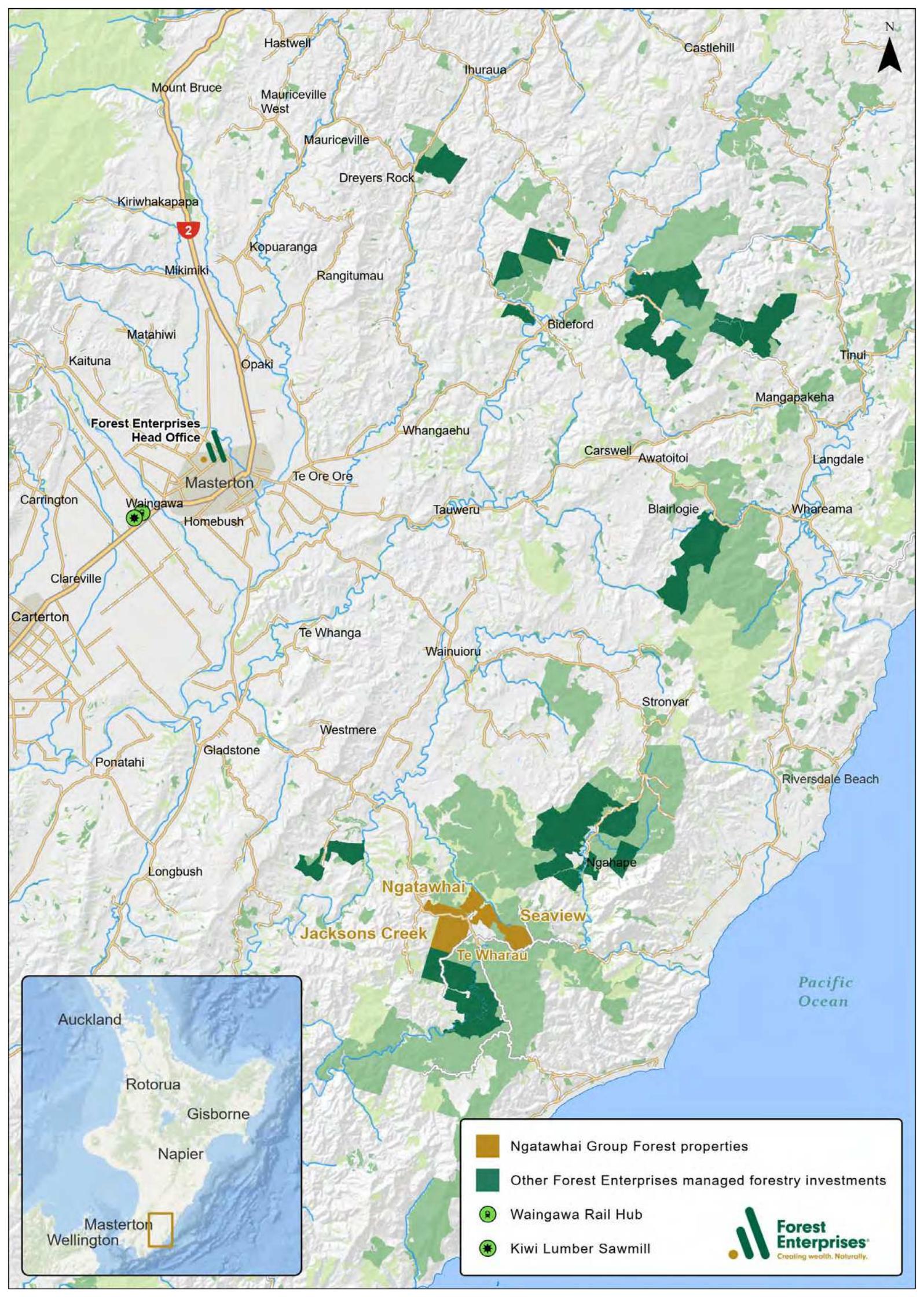
Block	Year Established														Total
	1998	2002	2003	2005	2012	2013	2014	2015	2016	2017	2018	2019	2020		
Jacksons Creek	0.0	0.0	0.0	0.0	46.3	22.5	12.6	0.0	0.0	3.6	0.0	55.0	7.7	147.7	
Ngatawhai	10.8	8.9	14.6	1.1	0.0	0.0	11.3	0.0	44.2	80.6	61.3	32.6	5.1	270.5	
Seaview	0.0	0.0	0.0	0.0	0.0	42.2	17.5	0.0	0.0	0.0	27.9	9.3	43.8	140.7	
Te Wharau	0.0	0.0	0.0	0.0	4.5	0.0	3.2	32.0	11.9	16.8	0.0	0.0	0.0	68.4	
Total Area (Hectares)	10.8	8.9	14.6	1.1	50.8	64.7	44.6	32.0	56.1	101.0	89.2	96.9	56.6	627.3	

Areas are based on recent aerial photography and mapping. Updated photography and mapping is undertaken during the life of a forest. It is usual for the measured net stocked area to change with each update and the changes can be material.

Note: Although carbon sequestration will occur in the Scheme's 4 forest properties, no carbon credits will be received by the Scheme under the legislation because it is classified as a pre-1990 forest land.

Refer to the Ngatawhai Group Forest map on the next page.





How the Scheme Property will be managed

The licensed Manager is Forest Enterprises Limited (FEL) which is responsible for and has the authority to manage the Scheme as expressed in the Governing Documents. In summary, this authority is broad-reaching subject to operating within the terms of the **Deed of Scheme Management (DOSM)** for the Scheme and the Forest Management Plan (Plan) for **establishment**, management and harvest of the forest. Refer to the Offer Register for a copy of the DOSM, the Plan and the audit report of Forme Consulting Group Limited (Forme) on the Plan. John Schrider, Consultant of Forme has consented in writing to his audit report being mentioned in this Product Disclosure Statement (PDS) and included in the Offer Register and has not withdrawn the consent before the PDS was lodged with the Register.

At all times, the Manager remains responsible for the Scheme, however the coordination and supervision of the field work relating to the Land and Trees is contracted out by the Manager to the Manager's parent company, **Forest Enterprises Growth Limited (FEG)**. FEG has the specialist expertise and business relationships to undertake this work under a **Forestry Management Services Agreement** between FEL and FEG. FEG will be responsible for ensuring that the Plan is put in place.

The key personnel of the Manager and its parent company who will be responsible for managing the Investment and the Property are:



Bert Hughes – CEO & Forestry Director

Bert is a New Zealand Institute of Forestry Registered Consultant, and a Chartered Member of the New Zealand Institute of Directors.

Bert will oversee all aspects of the Investment and the Forest as part of his role of overseeing all Forest Enterprises' Managed Investment Scheme forestry investments.

Bert's bio is on page 39.



Graeme Tindall – Managed Investments Director

Graeme is a Chartered Accountant and member of Chartered Accountants Australia and New Zealand and the New Zealand Institute of Directors.

In conjunction with Bert, Graeme will oversee all aspects of the Investment.

Graeme's bio is on page 39.



Gordon Wong – Legal Services Director

Gordon is a Barrister and Solicitor, member of the New Zealand Law Society, In-House Lawyers Association of New Zealand and the New Zealand Institute of Directors.

Gordon provides legal oversight over the Investment.

Gordon's bio is on page 40.



Malte Coulmann – Forest Estate Manager

Malte is a Director of Forest Enterprises Growth Limited. He is a New Zealand Institute of Forestry Registered Consultant, and member of the New Zealand Institute of Directors.

Malte will ensure that the Forest Management Plan is implemented.

Malte's bio is on page 40.

See Section 10 *About Forest Enterprises Limited and Others Involved in Ngatawhai Group Forest Investment* from page 39 for further details on those involved.



The purpose of the Offer

Four separate Forestry Partnerships (Te Wharau Forestry Partnership, Ngatawhai Forestry Partnership, Jacksons Creek Forestry Partnership and Seaview Forestry Partnership) managed by Forest Enterprises all passed special resolutions to sell their land and second rotation trees to form the Ngatawhai Group Forest Investment. The individual partners in those Forestry Partnerships (**Foundation Investors**) were given rights to acquire shares in the Investment at a special price in consideration for the sale of those Forestry Partnerships' land and second rotation trees to the Investment.

FEG has effectively "monetised" the assets of the land and second rotation trees which were owned by the Forestry Partnerships by offering individual partners the option to receive cash for their share of those assets or, alternatively, shares in Ngatawhai Group Forest Investment. FEG therefore holds the shares to which each Foundation Investor is entitled on trust for them until they elect to acquire legal title to those shares or receive a cash payment in lieu.

The purpose of the offer is to -

1. enable Foundation Investors to acquire from FEG the shares to which they are entitled under the special resolutions they passed, as the Forestry Partnerships have sold their land and second rotation trees to the new Investment.
2. enable FEG to offer the shares not taken by Foundation Investors (and for which FEG has paid a cash payment) for sale to new investors under this PDS.

FEG will use the proceeds from the Offer of the shares to reduce the borrowings it has incurred in acquiring its limited partnership interest (that is the shares for which it has paid cash to Foundation Investors) in the Ngatawhai Group Forest Investment.

There is no minimum amount that must be raised before the shares in the Investment are transferred to Investors and FEG's use of the money raised through the offer of shares under this PDS will not change depending on the total number of shares sold. FEG will sell down its investment to other Investors as it does not intend to be a long-term holder of the shares. This is reinforced by the Deed of Scheme Management which provides that FEG is deemed to have cast all votes associated with its Shares in the same proportions as the votes cast by all the other Investors.

Nature of returns

Investors may receive the following returns in respect of their shares:

- **Distributions** of operating cashflows to investors relative to their respective shares once harvest of the 2012 age class trees has commenced. As per the Forest Management Plan, this is expected when trees are around 26 years old in 2038. Any gains will result from the cashflows exceeding the price paid for the Trees; and
- Any gains which result from the net sale proceeds of the Land and replanted Trees exceeding the purchase price paid for the acquisition of the Land and replanted Trees by the Scheme.

Factors that may affect the financial performance and Investors' returns

FEL and FEG do not guarantee the shares offered under this PDS or the projected cash returns to Investors or any payment of returns by the Scheme. Factors that may have the greatest effect on financial performance are as follows:

Factor	Strategy to minimise impact
Future Log Prices	As a long-term Investment of more than 25 years which has no material income until harvest of the trees, log prices at harvest may have the most impact on returns from the investment. Having an eight-year age class spread with the majority of trees planted from 2012 to 2020 helps to reduce the impact of any short-term price movements in log prices.
Crop Quality and Yield at Harvest	FEG's management of the Plan should produce a high-quality crop at harvest.
Harvest and Rooding Costs	The size of the Investment combined with the scale of FEG's other forests under management should place it in a good negotiating position with contractors to achieve competitive rates.



Acquisition of Key Property

The Ngatawhai Group Forest Investment has acquired Land and re-established Trees in 4 separate second rotation forest properties in the Wairarapa.

FEG considers that the basis of calculation for the number of shares issued to each Foundation Investor is an appropriate objective mechanism for calculating the initial values for all 4 forests within Ngatawhai Group Forest Investment.

The purchase price of the Land and replanted Trees for the 4 forest properties is primarily based on the following objective formula.

1. Land as valued by a Registered Valuer; plus
2. Premium of an additional \$30,000 paid for the Land sold to the LP by the Ngatawhai Forestry Partnership in recognition of the anchor status of this forest land to the synergies of the Investment.
3. The actual cost of the investment in the second rotation Trees (past or future), plus 3% interest compounded per annum on this Investment. In addition, Ngatawhai Forestry Partnership received an additional \$40,000 in respect of the older second rotation trees planted from 1998 to 2005.

The above mechanism is considered by the Manager to be the most appropriate way to determine the value of the four forests. In all instances, the land had independent valuations carried out, and these valuations were updated by the Registered Valuer in August 2019. The Registered Valuer has consented to their valuation being referred to in this PDS and included on the Offer Register.

Ngatawhai Property

Using the methodology above, the amount paid to the Ngatawhai Forestry Partnership on 6 September 2019 was \$1,209,212 as set out in the table below. The amount of \$1,209,212 is therefore Ngatawhai Forestry Partnership's Contributed Value to the Ngatawhai Group Forest Investment (NSA = Net Stocked Area):

	Description	Amount	Totals	Per NSA
Land	Land @ Valuation	\$613,000		
	Agreed Premium	\$30,000		
	Total for Land		\$643,000	\$2,377
Trees	Existing Second Rotation Trees @ Cost	\$460,237		
	Adjustment for 1998 and 2002 to 2005 Trees	\$40,000		
	Trees to be planted	\$65,975		
	Total for Trees		\$566,212	\$2,093
Ngatawhai Total Contributed Value			\$1,209,212	\$4,470

The Scheme will be responsible for replanting approximately 37.7 hectares in 2019 & 2020 and be responsible for any under or overs on the \$65,975 amount contributed by the seller to the replant costs.

Jacksons Creek Property

Using the methodology above, the amount paid to the Jacksons Creek Forestry Partnership on 6 September 2019 was \$646,959 as set out in the table below. The amount of \$646,959 is therefore Jacksons Creek Forestry Partnership's Contributed Value to the Ngatawhai Group Forest Investment (NSA = Net Stocked Area):

	Description	Amount	Totals	Per NSA
Land	Land @ Valuation	\$377,000		
	Agreed Premium	\$0		
	Total for Land		\$377,000	\$2,552
Trees	Existing Second Rotation Trees @ Cost	\$166,452		
	Adjustment for older trees	\$0		
	Trees to be planted	\$103,507		
	Total for Trees		\$269,959	\$1,828
Jacksons Creek Total Contributed Value			\$646,959	\$4,380

The Scheme will be responsible for replanting approximately 62.7 hectares in 2019 & 2020 and be responsible for any under or overs on the \$103,507 amount contributed by the seller to the replant costs.



Seaview Property

Using the methodology above, the amount paid to the Seaview Forestry Partnership on 6 September 2019 was \$532,764 as set out in the table below. The amount of \$532,764 is therefore Seaview Forestry Partnership's Contributed Value to the Ngatawhai Group Forest Investment (NSA = Net Stocked Area):

	Description	Amount	Totals	Per NSA
Land	Land @ Valuation	\$289,000		
	Agreed Premium	\$0		
	Total for Land		\$289,000	\$2,054
Trees	Existing Second Rotation Trees @ Cost	\$150,839		
	Adjustment for older trees	\$0		
	Trees to be planted	\$92,925		
	Total for Trees		\$243,764	\$1,733
Seaview Total Contributed Value			\$532,764	\$3,787

The Scheme will be responsible for replanting approximately 53.1 hectares in 2019 & 2020 and be responsible for any under or overs on the \$92,925 amount contributed by the seller to the replant costs.

Te Wharau Property

Using the methodology above, the amount paid to the Te Wharau Forestry Partnership on 6 September 2019 was \$293,861 as set out in the table below. The amount of \$293,861 is therefore Te Wharau Forestry Partnership's Contributed Value to the Ngatawhai Group Forest Investment (NSA = Net Stocked Area):

	Description	Amount	Totals	Per NSA
Land	Land @ Valuation	\$172,000		
	Agreed Premium	\$0		
	Total for Land		\$172,000	\$2,515
Trees	Existing Second Rotation Trees @ Cost	\$121,861		
	Adjustment for older trees	\$0		
	Trees to be planted	\$0		
	Total for Trees		\$121,861	\$1,782
Te Wharau Total Contributed Value			\$293,861	\$4,296

Sales price paid by Ngatawhai Group Forest Investment

The table below summarises the calculated values to Ngatawhai Group Forest Investment for the four forest properties acquired by the Scheme.

Forest Property	Land Value	Tree Value	Replanting	Total Value
Ngatawhai	\$643,000	\$500,237	\$65,975	\$1,209,212
Jacksons Creek	\$377,000	\$166,452	\$103,507	\$646,959
Seaview	\$289,000	\$150,839	\$92,925	\$532,764
Te Wharau	\$172,000	\$121,861	\$0	\$293,861
Total	\$1,481,000	\$939,389	\$262,407	\$2,682,796

If an Investor purchases the minimum initial shareholding of 200 shares, the Investor's application cost will include \$8,943 relating to the purchase of the 4 forest properties.

The value of those 4 forest properties, calculated on 9 August 2019 was:

Forest Property	Valuation	Value August 2019
Land & Improvements	Morice Ltd	\$1,892,000
Trees + Replanting Receivable	Cost + 3% p.a.	\$1,201,800
		\$3,083,800

The valuation is based on the objective mechanism where the Land component is based on independent land valuations carried out by a registered land valuer and the Tree component of the valuation is based



on re-establishment costs incurred by the seller of the properties. If a more recent land valuation was obtained, the manager does not consider that it would be materially different from above.

Borrowings

Under the Deed of Scheme Management, any borrowings require Investors to pass a **Special Resolution** authorising the borrowings other than the borrowing set out in this section.

A drawdown on the term loan of \$385,000, which has been arranged through a term loan facility from the BNZ, will occur in the first year so there are no investor Calls until 30 June 2020. The maximum borrowings under the loan is \$385,000. Repayments will be made from harvesting the older trees planted from 2002 to 2005, expected to be in 2028 & 2029. See further under the heading *Borrowing Maturity Profile* in Section 6.

In addition, the Manager has arranged an operating overdraft with the BNZ of up to \$40,000.

The BNZ holds a first mortgage over the Land as security for the borrowings, including the overdraft facility. The floating interest rate for the term loan facility is 5.13% at the date of the PDS. There are no financial covenants relating to the term loan. The term loan facility will need to be extended or refinanced at the end of its initial 5-year term, as the facility will be required through to 2029.

Benefits of Investing in Forestry

There are a number of real benefits to investors from investing in forestry, in addition to the projected returns set out in this document.

Growing worldwide population and timber demand, combating climate change and deforestation, and the need to move to a low-carbon economy places an imperative on sustainably managed plantation forests.

Environmental benefits

Forest Enterprises forests are sustainably managed to New Zealand's high National Environmental Standards for Plantation Forestry. Plantation forests provide many positive and enduring environmental benefits.

Forests are valued for their carbon storage. Under the Climate Change Response Act 2002, forest land in New Zealand is categorised as either Pre 1990 or Post 1989 Forest Land. This distinction relates to when the land was first planted in forest, relative to New Zealand's commitment to reduce greenhouse gas emissions to their 1990 levels.

Ngatawhai Group Forest Investment land is classified as Pre 1990 which means it does not qualify to earn income from carbon. The forest nevertheless provides the environmental benefit of reducing atmospheric carbon during its lifetime.

From the data available from our own managed forests, we have calculated that one hectare of forest managed by Forest Enterprises will have sequestered 934 tonnes of CO₂e (carbon dioxide equivalent) by the time it reaches age 26, an average of 35.9 tonnes of CO₂e per hectare per year.

Anyone who purchases shares in the Investment will be contributing their proportionate share of the environmental benefits. Based on the minimum shareholding of 200 shares (2.09 hectares), an investment will sequester an average 75 tonnes of CO₂e per year. Investors will effectively be offsetting emissions against their personal carbon footprint.

Forests regulate water flow and water quality. They provide erosion protection to hill country, mitigating land destabilisation and land loss into gullies and waterways.

Forests also conserve biodiversity. Flora and fauna, including native New Zealand species (birds, lizards, bats, frogs, insects and plants) depend on the forest canopy and filtered waterways for habitat. For example, karearea (New Zealand falcon) like to nest on the edge of harvested areas and hunt the clearings.

Economic and Social benefits

According to Te Uru Rākau (Forestry New Zealand), forest and wood products are New Zealand's 3rd largest export earner behind dairy and meat. It is a significant industry in New Zealand, contributing \$6.38 billion in export value to June 2018 (\$3.3b of logs and \$3b of other forest products). Forestry directly employs around 20,000 people in New Zealand, mostly in the regions.

As well as economic benefits, forests also provide social benefits such as outdoor recreation and aesthetic value.



As the world pursues a low carbon future, renewables are increasingly being sought to substitute carbon intensive alternatives like steel, concrete and plastic, driving timber demand. From engineered wood like cross-laminated timber (CLT) for building and construction (e.g. low- to mid-rise commercial and residential buildings) and appearance-grade products for interiors (e.g. wall linings, furniture, composite joinery), to industrial products (e.g. biofuel, adhesives) and consumer goods (e.g. fragrance, jewellery, textiles, household items).

Benefits of investing in growth assets

Investing in alternative assets like forestry can be complementary to equities, interest bearing deposits, fixed income and property for diversifying and lowering the risk in an investment portfolio. Timber typically has low volatility. The biological nature of forestry often insulates the investment from fluctuations in other asset classes. The value is in the timber.

Forestry investment by nature is long-term. Income is deferred for around 20 years until harvest commences, meaning tax is also deferred. Each year until harvest, Investors are able to deduct some of the Investment's annual expenses against their total income.

There are very few opportunities for individual investment in forestry in New Zealand, due to the structure of forest ownership or the attributes of the land. The forest properties comprising the Ngatawhai Group Forest Investment are good forestry sites (topography, soils and climate) and are located an economic distance from the end customer and port. Not every forest has these critical success factors.



3. Key Dates and Offer Process

Key Dates	Offer Process
7 October 2019	Intended Offer Opening Date
No fixed closing date	Offer closes when all shares have been sold
From 21 October 2019	Shares are transferred to Investors
30 August 2019	Registration of Governing Documents in the Managed Investment Scheme
16 September 2019	On or about this date, settlement of the acquisition of the 4 forest properties occurred
30 June (Annually)	Calls are due on 30 June each year to meet the annual budget. Failure to pay Calls would put the Investor in default and subject to forfeiture of the investment as per the governing documents.

The timetable is indicative only and the dates may change. The Manager also reserves the absolute right in its sole discretion to accept or reject any application in whole or in part without assigning any reason.



4. Terms of the Offer

Product on Offer	Shares in a Limited Partnership and an equivalent number of shares beneficially held in the General Partner Company of the Limited Partnership.
Offeror	Forest Enterprises Growth Limited (FEG)
Minimum number of shares available for sale by the Offeror	<p>There are 60,000 shares in the Scheme. The Offeror holds the rights to sell a minimum of 25,161 shares under the offer and any of the remaining 34,839 shares which Foundation Investors do not take up.</p> <p>The Offeror offers for sale under this PDS:</p> <ul style="list-style-type: none"> • First right to purchase shares to Foundation Investors • Its 25,161 shares (the minimum number of shares to new investors); and • Such of the remaining shares that it acquires from Foundation Investors on or before 30 September 2019.
Minimum Initial Shareholding	The minimum initial investment is 200 shares, but you can invest in any number of additional shares.
What is the minimum amount payable to invest?	Initially \$9,726 for 200 shares (additional shares are \$48.63 per share), then annual Call amounts from 30 June 2020. Foundation Investors invest at a reduced initial price recognising their special status as previous owners of the forest land and their agreement to the formation of the new Investment with the acquisition of the land and second rotation trees from the Foundation Investors. See <i>Estimated Future Contributions (Calls) per 200-share parcel</i> below
Intended Offer Opening Date	7 October 2019
Intended Offer Closing Date	No fixed closing date. Closes when all shares have been sold.
How can investment be made?	<p>You may invest with a minimum initial application of \$9,726 (200 Shares).</p> <p>Applications must be completed on the application form contained after Section 13 <i>How to Apply</i> on page 45.</p> <p>TO ENSURE YOUR APPLICATION IS ABLE TO BE ACCEPTED, PLEASE READ THE APPLICATION INSTRUCTIONS IN THAT SECTION CAREFULLY AND COMPLETE ALL APPLICABLE SECTIONS.</p> <p>No applications can be accepted if all shares have been sold.</p> <p>There is no continuous offer of shares in the Scheme.</p> <p>The Investor will need to satisfy the Manager's anti-money laundering compliance requirements and must execute the Limited Power of Attorney.</p>
Estimated Future Contributions (Calls) Per 200-share parcel	<p>The investment is contributory by nature; therefore, Calls are made each year from 30 June 2020 to fund the current year budget until the trees are mature and ready for harvest.</p> <p>Calls per 200-share parcel are projected to average around \$1,011 per year from 30 June 2020 for 8 years, then drop to an average around \$291 until harvest commences in or around 2038 when the 2012 trees are in their 26th year. Calls for different share parcel amounts will be pro rata to the 200-share parcel example.</p> <p>In addition, the annual \$60 Investor Administration Fee will be charged once per year regardless of the size of shareholding.</p>
Failure to pay Calls	Calls are due on 30 June each year to meet the annual budget. Failure to pay Calls would put the Investor in default and subject to forfeiture of the investment as per the Governing Documents.
How can I withdraw my investment?	<p>Shares in the LP are not redeemable on demand. The investment has no fixed term but will generally come to an end after harvest is completed and all proceeds have been distributed.</p> <p>You may only withdraw if:</p> <ul style="list-style-type: none"> • You sell your shares to a third party (such as via the secondary market facility operated by the Manager) after the Hold Period – refer to page 23 for more details, or • A resolution is passed to wind up the Scheme and sell the forest assets, or • The forest has been harvested and the Land sold. <p>The limitations on when (and how) a resolution is passed to wind up the Scheme and sell the forest, are set out in the Governing Documents.</p>



<p>What are the returns and when are distributions paid?</p>	<p>Returns will commence once cashflow from harvesting the 2012 age class trees is generated. It is expected that this will occur around 2038. Returns should continue for around 8 years until harvest of the 2020 age class trees is completed.</p> <p>Any return on investment will be by way of distribution and will be dependent on log prices and costs at time of harvest, sale of the land and any replanted Trees at that time. Although not guaranteed, the cashflow in Section 6 <i>Ngatawhai Group Forest Investment Financial Information</i> from page 25 sets out these estimates, based on certain assumptions set out on page 27.</p> <p>Distribution payments are likely to be made at quarterly intervals once cashflow from harvest has commenced.</p>
<p>Offeror Voting Rights</p>	<p>At all times that FEG holds shares, it will be deemed to have cast the votes associated with the Offeror's Shares in the same proportions as the votes cast by the other Investors.</p>

Further terms relating to Ngatawhai Group Forest Investment are set out in the Governing Documents (the Deed of Scheme Management and the **Limited Partnership Agreement**). These documents along with the GP Company Constitution are available on the Scheme Register at www.companiesoffice.govt.nz/disclose by searching 'Ngatawhai Group Forest Investment' under 'Search Schemes'.



5. How the Ngatawhai Group Forest Investment Works

The Ngatawhai Group Forest Investment is a managed investment scheme (MIS) under the **Financial Markets Conduct Act 2013 (FMC Act)**.

Limited Partnership and General Partner

The Ngatawhai Group Forest Investment comprises a limited partnership registered under the Limited Partnerships Act 2008 called Ngatawhai Group Forest LP (the Limited Partnership, LP) with one general partner which is a registered company under the Companies Act 1993 called Ngatawhai Group Forest GP Limited (the General Partner, GP).

Investors in the Ngatawhai Group Forest Investment have limited partner shares in the LP plus **beneficial ownership** of an equal number of corresponding company shares in the GP which are held in bare trust for the Investors by the Manager. The Limited Partnership Agreement requires that the 60,000 beneficially owned shares in the GP company are held pro rata to the number of LP shares held by the **limited partners**.

Although FEG is offering both LP shares and GP shares, with the latter being equity securities, the Offeror relies on clauses 18 to 20 of the Financial Markets Conduct (Forestry Schemes) Exemption Notice 2016 which specifies that because the GP has been incorporated solely for the purpose of being the general partner of the LP, and Investors will beneficially own the GP shares, with decision making rights, there are no disclosure and reporting requirements in the FMC Act relating to the GP shares.

Limited Partnership is Managed Investment Scheme

The registered MIS has been structured as a LP. The LP is an ‘other managed investment scheme’ for the purposes of the FMC Act and, accordingly, in certain places, this PDS refers to the LP as a ‘Scheme’ or the ‘Investment’.

The Deed of Scheme Management (DOSM) together with the Limited Partnership Agreement, constitute the Governing Documents of the Ngatawhai Group Forest Investment for the purposes of the FMC Act. These, along with the GP Company Constitution and SIPO, are available to read and download from the Scheme Register at www.companiesoffice.govt.nz/disclose by searching ‘Ngatawhai Group Forest Investment’ under ‘Search Schemes’.

It is a requirement of the Limited Partnerships Act 2008 that a limited partnership has a written partnership agreement which governs the affairs of the limited partnership and the conduct of its business. In accordance with the Limited Partnerships Act, the Limited Partnership Agreement provides for essential terms relating to the business of the Limited Partnership; distributions; meetings of limited partners; the powers, duties and liabilities of the General Partner; assignment of shares; conflict of interest policy; and how the Limited Partnership terminates. However, in order to avoid duplication and to have the terms governing the Limited Partnership in a central document, most of these terms are set out more fully in the DOSM.

Trustees Executors Limited is a licensed supervisor under the Financial Markets Supervisors Act 2011 and has been appointed the Supervisor of the Ngatawhai Group Forest Investment in accordance with the FMC Act. In its role as Supervisor, it must also hold all Scheme assets or appoint a custodian to hold those assets. It has appointed subsidiary company, TEA Custodians (Forest Enterprises) Limited to hold the scheme assets.

Trustees Executors Limited is also given a limited Power of Attorney by the Investors to facilitate the efficient administration of the Scheme. The terms of this Power of Attorney are set out in Schedule 6 of the Deed of Scheme Management, and on page 55 of the Application Form attached to this PDS.

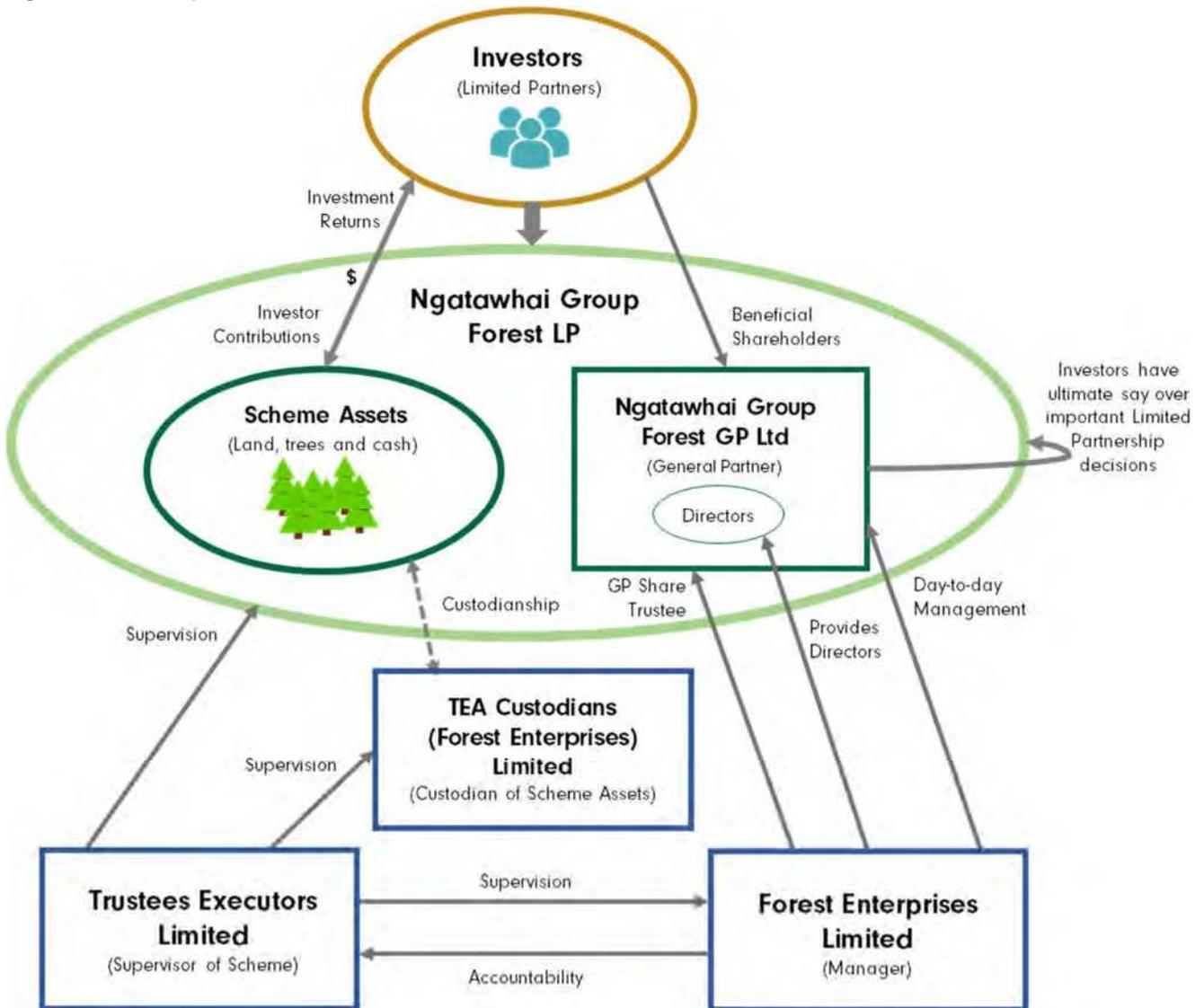
Deed of Scheme Management is pre-eminent Governing Document

The Deed of Scheme Management is the pre-eminent Governing Document of the MIS, and sets out the rights, obligations and duties of the Manager, the Supervisor, the Custodian and the Limited Partners in relation to the MIS including provisions for compliance with the FMC Act including, but not limited to:

- specific MIS provisions
- management of the MIS by the Manager
- supervision of the MIS by the Supervisor
- custodianship of the MIS’s Scheme Property
- financial reporting and appointment and duties of the financial auditor of the MIS
- right of Manager to sell a defaulting Investor’s shares (e.g., due to non-payment of a Call, or failure to provide required information)



Ngatawhai Group Forest Investment



What is a Limited Partnership (LP)?

Investors are offered the opportunity to acquire shares in the LP that has acquired the forest Land and Trees. Investors will become a limited partner in the LP. Under the limited partnership structure, limited partners have limited liability (so long as they do not take part in the management of the LP, which is described further below). A limited partnership is a separate legal person from its limited partners and general partner.

Each LP share confers equal rights and obligations on each Investor in respect of entitlements to income and capital from the LP, and each share will confer one vote upon the holder in respect of matters on which Investors are entitled to vote under the Limited Partnership Agreement and the DOSM.

The Custodian is TEA Custodians (Forest Enterprises) Limited, a wholly owned subsidiary of the Supervisor. The Custodian will hold the title to the Property in its name for the LP. The interrelationship between the Investors (as limited partners), the LP and the GP (Investors being beneficial shareholders) is set out in the DOSM.

Forest Enterprises Limited (FEL), as licenced Manager of the Scheme, is responsible for the day-to-day management and investment administration of the Scheme. The general partner of the LP has the power to direct the Manager to follow decisions made by shareholders of the GP. Forest Enterprises Growth Limited (FEG) provides forest management and harvesting services under contract to FEL.



The General Partner, Ngatawhai Group Forest GP Limited (GP), has been incorporated to act as the general partner of the LP in accordance with the Limited Partnership Agreement. A general partner is only liable for any debts or liabilities of the limited partnership to the extent they have not been met by the limited partnership. To protect the general partner, it has been set up as a limited liability company. The directors of the GP are Graeme Tindall, Bert Hughes and Gordon Wong. (The Directors are Officers of the Manager in accordance with the Limited Partnership Agreement.)

The shareholder of the GP is FEL as nominee shareholder for all Investors (the GP Share Trustee). Each Investor has beneficial ownership of an equivalent number of shares in the GP as they have in the LP. Investment decisions will be made by Investors as beneficial shareholders in the GP. The **Beneficial Shareholder Direction Process** is the process by which Investors will instruct FEL in its capacity as the GP Share Trustee to vote on important shareholder decisions.

A full list of decisions requiring Investor approval (by either Ordinary Resolution or Special Resolution) are set out in the GP Constitution and in the Governing Documents. These include any decision on:

- Change of business (Special Resolution)
- Any borrowings other than those set out in this PDS (Special Resolution)
- Material variation of the Forest Management Plan (Special Resolution)
- Any change in Manager's Fees (Ordinary Resolution)

These Investment decisions by Investors in the GP are allowable under the Limited Partnerships Act, without compromising the limited liability of limited partners.

Significant benefits of investing in the Investment

The significant benefits of investing as a limited partner in the Limited Partnership are:

- The projected returns set out in Section 6 *Ngatawhai Group Forest Investment Financial Information* from page 25.
- The ability to have an investment in forestry that is available to Investors who are able to invest an initial minimum of **\$9,726**, with further annual contributions averaging \$1,011 for 8 years from 30 June 2020, then much smaller amounts until harvest.
- The investment in the LP is passive with active day-to-day management (including preparation of accounts, forest and harvest management, payment of distributions and obtaining any limited bank financing) being handled by the Manager. However, key decisions are still made by Investors.
- The LP structure enables the GP to conduct the business of the LP, while the Investors, as limited partners, have limited liability so long as they do not take part in the management of the LP. The LP has been structured to avoid Investors taking part in management.

Power of Attorney

In order to facilitate the efficient administration of the Investment, every Investor appoints the Supervisor their attorney under a limited Power of Attorney to:

- Appoint a director of the General Partner as a proxy (if not attending) for quorum purposes and to waive any irregularity in the notice of meeting or approve a change in a resolution purely of a technical nature;
- To vote on any procedural approval required for share assignments;
- To approve and sign any technical, correcting, or non-material changes to the Governing Documents; and
- To vote on any resolution of a formal or technical nature which will benefit the Limited Partnership, but has no material adverse effect for the Investor.

Investment Business

The business of the Scheme is the establishment, maintenance, management and harvesting of the Trees in accordance with the Forest Management Plan together with the performance of all statutory or other legal requirements relating to the business. The Scheme may also undertake such further business which is consistent with the Statement of Investment Policy and Objectives (the SIPO) and which has been approved by **special resolution** of the shareholder of the GP (subject to the Beneficial Shareholder Direction Process).



Contributory Investment

The Scheme is contributory by nature. The Investment requires Investors to meet their share of the annual budget to undertake all work relating to the management of the forest assets (including field work relating to carrying out the Forest Management Plan), plus the costs arising from managing the Scheme.

Investors meet this funding obligation by making one payment (Call) each year on 30 June. More funding is required in the early years to meet the silviculture costs relating to the management of the Trees. This funding is required unless the Scheme has sufficient cashflow arising from the management of the assets, which ordinarily only occurs when the Trees are being harvested.

Call payment options are:

- Direct Debit - investor authorises Forest Enterprises to automatically debit Calls when due
- Direct Credit - investor pays the Call via electronic funds transfer
- Cheque
- Visa or Mastercard - credit card fees will apply, refer to *Investor fees (if applicable)* on page 35

For those investors wanting to prefund the ongoing Calls from their own bank account, the Manager can advise an estimate of the required amount, then Calls can be paid each year by direct debit from their bank account.

Non-payment of Calls risks forfeiture of shares

Calls are payable on the due date advised and non-payment places the Investor in default. Failure to act on a default can result in the forfeiture and compulsory sale of the Investor's shares in the Scheme. The Manager is granted a limited Power of Attorney by Investors to sell a defaulting Investor's shares under the DOSM.

Tax deductibility

The Limited Partnership is not separately assessable for tax purposes. Its tax consequences pass through directly to the investors in proportion to their shareholding. In the early years until **silviculture** is completed, Investors will enjoy higher tax deductions. Refer to Section 9 on page 38 for further details.

Ability to sell before harvest

Investors can arrange a private sale of their investment at any time after the Hold Period referred to below.

FEL operates a secondary market for the sale and purchase of shares in their existing forestry investments. The purpose of the market is to enable existing Investors to liquidate their investment and to allow prospective Investors to purchase investments in established forests. Forest Enterprises acts as intermediary and operates an open tender for bids and communicates all bids to sellers, who have the option to accept or reject any bid by a prospective buyer.

Until FEG has sold all its shares under the Offer (as well as any additional Shares it acquires), there is a Hold Period where Investors will not be able to sell their shares on the secondary market.

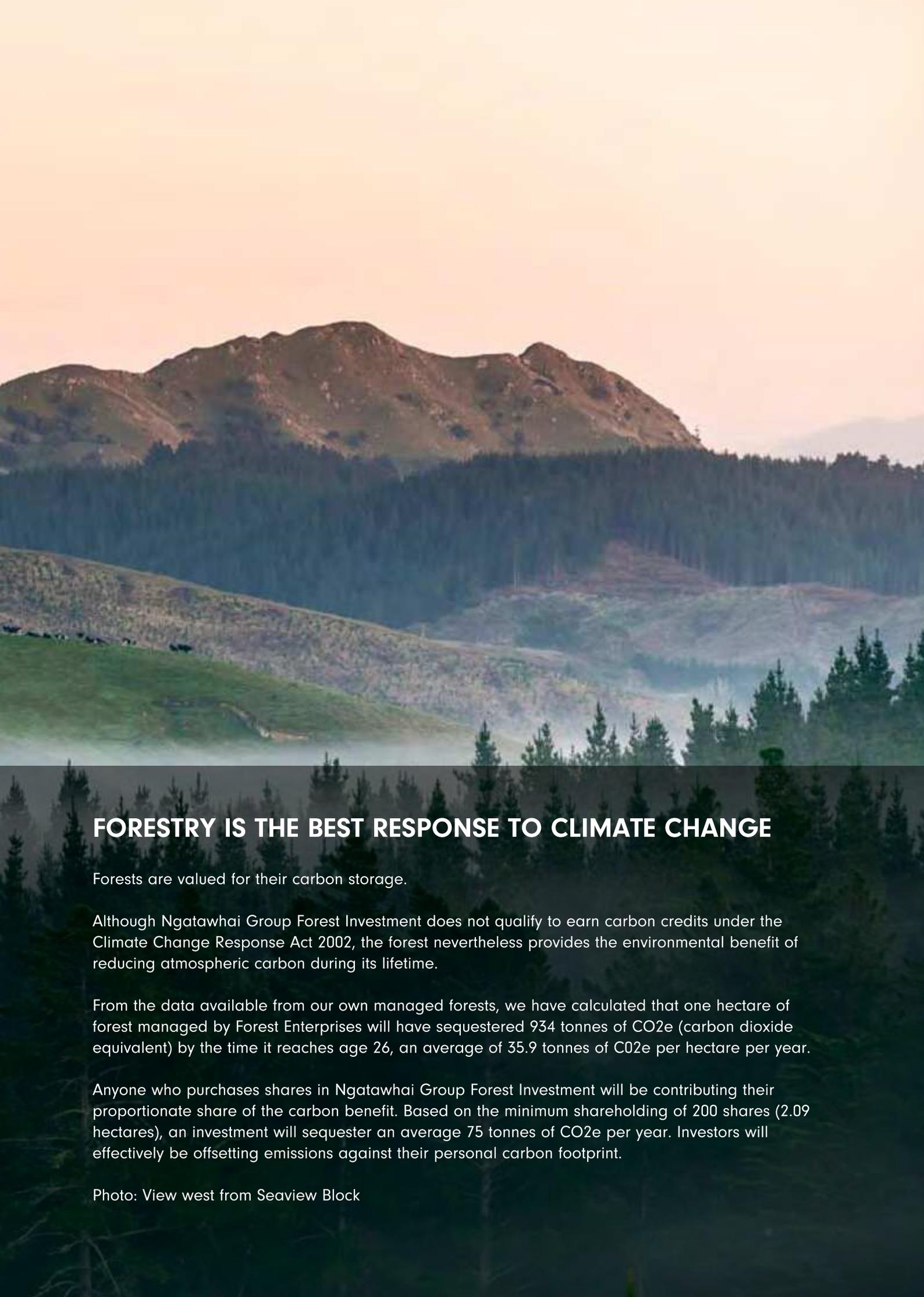
The fees for selling on the secondary market are a \$375 listing fee and a brokerage fee of \$350 for sales values up to \$10,000 and an additional 2% over \$10,000.

Related party benefits

FEG is the parent company of the Manager.

Forest and Harvest Management will be undertaken by FEG under a Forestry Management Services Agreement. Each of the Manager and FEG negotiated and entered into this contract acting independently and in its own best interests. The Manager considers that the contract and all transactions under it are on arms' length commercial terms. In any event, the Manager pays fees to FEG for its Forestry Management services out of the management fees and expenses payable to FEL as authorised under the Deed of Scheme Management. Therefore, FEG cannot be paid any more than that payable to the Manager, if the Manager was to carry out the services itself.





FORESTRY IS THE BEST RESPONSE TO CLIMATE CHANGE

Forests are valued for their carbon storage.

Although Ngatawhai Group Forest Investment does not qualify to earn carbon credits under the Climate Change Response Act 2002, the forest nevertheless provides the environmental benefit of reducing atmospheric carbon during its lifetime.

From the data available from our own managed forests, we have calculated that one hectare of forest managed by Forest Enterprises will have sequestered 934 tonnes of CO₂e (carbon dioxide equivalent) by the time it reaches age 26, an average of 35.9 tonnes of CO₂e per hectare per year.

Anyone who purchases shares in Ngatawhai Group Forest Investment will be contributing their proportionate share of the carbon benefit. Based on the minimum shareholding of 200 shares (2.09 hectares), an investment will sequester an average 75 tonnes of CO₂e per year. Investors will effectively be offsetting emissions against their personal carbon footprint.

Photo: View west from Seaview Block

6. Ngatawhai Group Forest Investment Financial Information

The Scheme's Limited Partnership entity (Ngatawhai Group Forest LP) was registered on 18 January 2019 and commenced business on or about 30 August 2019, therefore there are no completed financial periods.

Selected Financial Information

The table below provides selected financial information about Ngatawhai Group Forest Investment. Full prospective financial information from 30 August 2019 to 31 March 2020 (7 months) and from 1 April 2020 to 31 March 2021 (12 months) are available on the offer register at www.companiesoffice.govt.nz/disclose by searching 'Ngatawhai Group Forest Investment' under 'Search Offers'. If you do not understand this sort of financial information, you can seek professional advice.

Forecast Total Investment Contributions Required:

7 months to 31 March 2020	\$2,917,800
12 months to 31 March 2021	\$276,519

Each Investor pays their proportionate share of these contributions based on the size of their shareholding in Ngatawhai Group Forest LP (LP). If the minimum initial investment size of 200 shares is applied for, then \$9,726 is payable on application and the first annual Call of \$922 + annual \$60 Investor Administration Fee (regardless of investment size) is payable on 30 June 2020.

Forecast Tax Deduction Available:

Because Investors are investing in a New Zealand limited partnership, they will need to account for tax on their share of taxable income (or loss) in their individual tax returns, rather than simply on the cash contributions paid or distributions received. The forecast tax deduction for the following periods are

7 months to 31 March 2020	\$387,882	Note \$62,882 increase for tax depreciation
12 months to 31 March 2021	\$362,561	Note \$86,042 increase for tax depreciation

If the minimum initial investment size of 200 shares is applied for, then the forecast tax deduction available to offset against other income is \$1,293 for the period ending 31 March 2019 and \$1,209 for the year ending 31 March 2020.

Prospective Financial Information

The purpose of the prospective financial statements is to assist Investors in assessing the viability of and return on funds invested. This PDS and the prospective financial information may not be appropriate for any other purpose.

The prospective financial information included in the tables that follow has been extracted from prospective financial statements prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (FRS 42) which are available on the Offer Register. The prospective financial statements for the period to 31 March 2020 and the year ending 31 March 2021 have been subject to a limited assurance engagement and an unmodified opinion issued by Baker Tilly Staples Rodway Audit Limited, a copy of which is also included on the Offer Register. Baker Tilly Staples Rodway Audit Limited has consented in writing to their review report being mentioned in this PDS and included in the Offer Register and has not withdrawn the consent before this PDS was lodged with the Register.

Separately available on the Offer Register are prospective financial statements for the Expected Life of the Scheme, which have not been reviewed by Baker Tilly Staples Rodway Audit Limited.

Gearing Ratios

Gearing Ratios tell you how much the Scheme owes (debt) as a portion of what it owns (assets). The higher the gearing ratio, the higher the risk to the LP as it indicates that a higher portion of the LP's assets will need to be applied to repay its debt.

Gearing is based on the prospective statement of financial position. The carrying value of the forest property is deemed to represent the consideration paid plus ongoing silviculture costs. The Manager believes this is the most reasonable assumption, rather than discounted cashflow analysis at this stage.



On acquisition of the 4 Forest Properties	0%
At 31 March 2020	13.0%
At 31 March 2021	12.3%

Interest Cover Ratios

Interest Cover Ratios tell you how much the LP's net income exceeds interest on its loans (as a multiple). The higher the ratio, the more comfortably the LP's income can cover any interest owing (and the lower the risk to the LP).

In this case, as there is no income other than unrealised forest crop fair value increases, the ratio is negative and of less relevance as investor Calls factor in debt servicing.

At 31 March 2020	-14
At 31 March 2021	-4

Borrowing Maturity Profile

Refer to *Borrowings* in Section 2 on page 15 for further information on Term Loan Borrowings.

The Maturity profile is as follows:

Financial Year Ending 31 March	2020	2029	2030
Balance at Start of year (\$)	\$0	\$385,000	\$155,000
Borrowings (\$)	\$385,000		
Repayments (\$)		\$230,000	\$155,000
Balance at End of Year (\$)	\$385,000	\$155,000	\$0



Summary of Principal Assumptions in the Cashflow Projection on the Expected Life of the Investment (on the following pages)

The Cashflow Projection has been derived from GAAP compliant prospective financial information (available on the Offer Register). Although this information is of a long-term nature, it is, in the Manager's view, relevant for basing investment decisions on a forestry investment where there are continuing financial commitments over the life of the Investment.

The best information that can reasonably be expected to be available to base the forest assumptions on is the Forest Management Plan, which has been audited by John Schrider of Forme Consulting Group Limited, a Registered Forest Consultant of the NZ Institute of Forestry. The Forest Management Plan and audit report are both available on the Offer Register.

The Forest Management Plan has assumptions about the timing of silvicultural work and harvesting of the forest. In line with common forest practice, the estimated figures in 2019 dollars have been used for the costs of the work programme in the Plan and **stumpage** has been assumed using projected yields from forest growth modelling software, using the last 36 month's average prices for the expected log grades to be harvested.

Actual costs and timing will vary from the projections as a consequence of changes over time to the work program in the Plan and prices. These changes may be material although changes to the Plan that have a material cost impact are subject to Investor vote.

Given the purpose and objective of the prospective financial information is to give Investors a sense of future costs and returns for the expected life of the Scheme in the context of this one rotation focused forestry investment, inflation of 2% per annum has been assumed from 1 April 2021 in the preparation of the projections. Historical inflation over the last 30 years and the present target of 1-3% support the use of 2% in the projections.

Harvest assumptions (also available in more detail in the Forest Management Plan available on the Offer Register) include:

- Harvest is anticipated when the trees are in their 26th year. The volume estimates produce recoverable volume of 648 tonnes per hectare.
- Area attrition of 2% has been allowed between establishment and harvest.
- A sales scenario based upon a range of markets achieved during the first rotation harvest including Masterton and the Port of Wellington as the points of sale has been used.
- Log prices are based on Forest Enterprises Growth Limited's (FEG) actual achieved 36-month average prices to 30 June 2019 (subject to inflation adjustment set out above).
- Production costs to the point of sale have been based on \$67.20 per tonne based on 2019 dollars (subject to inflation adjustment set out above).

Average stumpage per hectare for all trees planted from 2012 onwards is \$42,095. If June 2019 spot prices had been used rather than 36-month average prices, this would have reduced to \$38,494. Assuming inflation of 2% per year this increases average stumpage from \$42,095 in 2019 dollars to \$67,035. Refer further to page 30 for Sensitivity Analysis and Return on Investment. Refer also to page 8 of the Other Material Information document on the Offer Register for a Cashflow Projection prepared in 2019 dollars.

Other assumptions (in addition to the harvest assumptions) include:

- It is assumed that the Land will be sold in the final harvest year at the purchase price (adjusted for inflation).
- Replanting of the areas harvested has been assumed to occur in the winter following harvest and the replanted Trees sold at the conclusion of harvest (in addition to the Land).
- The cashflow above excludes the annual \$60 Investor Administration Fee, charged once per Investor per year in addition to Calls regardless of the size of their shareholding.

NOTE: Future Calls and Distributions in the Cashflow Projection should be taken as a guide only. Prospective Financial Information (PFI), by its nature, is inherently uncertain. It involves predictions of future events that cannot be assured as well as risks and uncertainties which are often beyond the control of the Manager. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. Various risk factors and the management thereof may influence the success of the Scheme's business. Refer further to *Risks to Returns* in Section 7 from page 32. Accordingly, actual results may vary from the PFI, and those variations may be significantly more or less favourable. The Manager does not guarantee the achievement of the PFI.



Summary of 2% Inflation-Adjusted Cashflow over Expected Life of the Investment

CASHFLOW PROJECTION - Ngatawhai Group Forest Investment												
No. Investment Units (200 Shares)	300											
Financial Year ending March 2020	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Hectares Planted	96.9	56.6					10.8				8.9	14.6
Total Hectares Harvested						10.6				8.7	14.3	
EXPENDITURE												
Capital Expenditure												
Non Depreciable												
Land and Improvements	2,742,800											
Preliminary Expenses	235,000											
Mortgage Repayment										230,000	155,000	
Deductible Expenditure												
Forestry Expenditure												
Establishment	176,905	105,109	2,431				21,357	514			18,934	32,244
Tending	204,159	175,877	196,807	221,973	231,655	336,714	317,366	241,570	193,280	63,619		16,684
Maintenance	15,700	15,700	16,014	16,334	16,661	16,994	17,334	17,681	18,034	18,395	18,763	19,138
Protection	856	941	960	979	998	1,001	1,039	1,060	1,081	1,087	1,098	1,147
Inventory	3,200				2,971				12,406			
Mapping	1,289	1,126	1,031	928	1,029	612	120				235	178
Insurance	14,889	9,121	9,584	10,070	10,581	10,797	11,496	12,080	12,692	13,053	13,371	14,275
Rates	6,390	7,350	7,497	7,647	7,800	7,956	8,115	8,277	8,443	8,612	8,784	8,960
Other Expenditure												
Management	15,980	17,564	17,915	18,273	18,639	19,011	19,392	19,779	20,175	20,579	20,990	21,410
Investor Admin Fee												
Supervisor Fees	4,250	4,250	4,335	4,422	4,510	4,600	4,692	4,786	4,882	4,980	5,079	5,181
Audit Fees	4,500	4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169	5,272	5,378	5,485
Investment Update & Valuation	3,300	3,300	3,366	3,433	3,502	3,572	3,643	3,716	3,791	3,866	3,944	4,023
Legal & Other Professional Fees					1,061				1,149			
Borrowing Costs & Bank Fees	23,530	24,100	24,100	24,100	24,100	24,100	24,100	24,100	24,100	13,710	3,300	1,000
Industry Subscriptions & Levies						1,903				1,687	2,833	
Disbursements	5,000	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975	6,095
Investor Meeting Costs	500	5,000	510	520	531	541	552	563	574	586	598	6,095
Contingency	5,500											
TOTAL EXPENDITURE	3,463,748	378,938	294,239	318,563	334,119	438,085	444,664	344,825	311,519	391,304	264,283	141,914
RECEIPTS												
Capital Receipts												
Net Current Assets						(180,000)	100,000	65,000	15,000		(184,149)	65,000
Sale of Land & Improvements												
Borrowings	385,000											
Income Receipts												
Carbon Lease												
Forestry Right	160,948	101,459										
Interest												
Harvest						327,768				290,602	487,874	
Sale of Second Rotation Trees												
TOTAL RECEIPTS	545,948	101,459				147,768	100,000	65,000	15,000	290,602	303,725	65,000
NET CASHFLOW	(2,917,800)	(277,479)	(294,239)	(318,563)	(334,119)	(290,317)	(344,664)	(279,825)	(296,519)	(100,702)	39,442	(76,914)
CASHFLOW FOR EACH INVESTMENT UNIT												
Calendar Year of Call Payment	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash Payable per Unit per Annum	(9,726)	(925)	(981)	(1,062)	(1,114)	(968)	(1,149)	(933)	(988)	(336)		(256)
Payable on Application	(9,726)											
Payable 30 June		(925)	(981)	(1,062)	(1,114)	(968)	(1,149)	(933)	(988)	(336)		(256)
Payable 31 October												
Payable 30 June												
Cash Receivable per Unit per Annum												131
TAX ANALYSIS FOR EACH INVESTMENT UNIT												
Tax Year ending March	2020	2,021	2,022	2,023	2,024	2,025	2,026	2,027	2,028	2,029	2,030	2,031
Cashflow per Unit before Tax	(9,726)	(925)	(981)	(1,062)	(1,114)	(968)	(1,149)	(933)	(988)	(336)	131	(256)
Taxation Benefit at 33%	358	305	324	350	368	151	489	379	343	(118)		156
Taxation Payable at 33%											(376)	
Cash Payable per Unit after Tax	(9,369)	(620)	(657)	(711)	(746)	(817)	(660)	(553)	(646)	(453)		(100)
Cash Receivable per Unit after Tax												(245)

Refer to assumptions on the previous page.

Note: Land and Improvements

Of the \$2,742,800, \$2,682,800 represents the value of the 60,000 shares in the Scheme. Entitlements to those shares were originally offered to investors in the existing Forestry Partnerships in consideration for selling the 4 forest properties to the Investment. As from the Offer Opening Date, those original forest owners who elected to take the entitlement (Foundation Investors) are able to apply for their Shares. Those who elected not to take their entitlement have been paid out by FEG in exchange for the entitlement to their Shares. Any Foundation Investors who do not apply for their Shares or for any other reason do not receive their Shares will be paid out by FEG.



Summary of Income and Expenses over Expected Life of the Investment (Continued)

2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	TOTAL	
	1.1							50.8	64.7	44.6	32.0	56.1	101.1	89.2		627.3	
1.1							49.8	63.4	43.7	31.3	54.9	99.0	87.4	95.0	55.4	614.7	
																2,977,800	
																2,977,800	
																2,742,800	
																235,000	
																385,000	
765	2,560	62						132,159	174,901	124,791	91,128	160,047	294,163	268,344	296,035	1,902,448	
18,261	13,449	14,791	24,832	16,189	41,104	20,018	2,189	1,612					104,397	135,325	208,463	2,800,333	
19,521	19,911	20,310	20,716	21,130	21,553	21,984	22,423	22,872	23,329	23,796	24,272	24,757	25,252	25,758	26,273	570,606	
1,168	1,193	1,217	1,242	1,266	1,292	1,317	1,235	1,229	1,299	1,353	1,325	1,245	1,298	1,305	1,433	32,663	
16,288						10,642				19,855			5,147			70,509	
	14	115	193		16			740	961	676	494	1,685	2,666	2,194	2,157	18,459	
14,961	15,738	16,536	17,375	18,257	19,184	20,157	19,193	18,522	18,865	19,352	18,586	16,283	15,238	13,508	13,654	417,418	
9,139	9,322	9,508	9,698	9,892	10,090	10,292	10,498	10,708	10,922	11,140	11,363	11,590	11,822	12,058	330,483	584,355	
21,838	22,275	22,720	23,175	23,638	24,111	24,593	25,085	25,587	26,099	26,620	27,153	27,696	28,250	28,815	29,391	636,752	
5,284	5,390	5,498	5,608	5,720	5,834	5,951	6,070	6,191	6,315	6,442	6,570	6,702	6,836	6,973	192,025	339,376	
5,595	5,707	5,821	5,938	6,056	6,178	6,301	6,427	6,556	6,687	6,820	6,957	7,096	7,238	7,383	203,320	359,339	
4,103	4,185	4,269	4,354	4,441	4,530	4,621	4,713	4,807	4,904	5,002	5,102	5,204	5,308	5,414	149,102	263,516	
						25,204										27,414	
1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	250,340	
228							12,447	16,174	11,364	8,309	14,874	27,348	24,616	27,290	16,241	165,317	
6,217	6,341	6,468	6,597	6,729	6,864	7,001	7,141	7,284	7,430	7,578	7,730	7,884	8,042	8,203	225,911	399,266	
622	634	647	660	672	686	700	714	728	743	758	773	788	804	820	68,610	121,025	
															5,500	11,000	
106,729	112,532	107,620	111,346	129,693	117,526	180,867	136,966	256,746	303,117	263,493	217,325	299,326	542,078	551,772	1,769,598	12,332,936	
	44,149			10,000		65,000									1,400,000	1,400,000	
																385,000	
																262,407	
39,271							3,050,203	3,963,360	2,784,833	2,036,215	3,644,842	6,701,578	6,032,167	6,687,335	3,979,869	40,025,918	
															2,738,430	2,738,430	
39,271	44,149			10,000		65,000	3,050,203	3,963,360	2,784,833	2,036,215	3,644,842	6,701,578	6,032,167	6,687,335	8,118,299	44,811,755	
(67,457)	(68,383)	(107,620)	(111,346)	(119,693)	(117,526)	(115,867)	2,913,237	3,706,614	2,481,716	1,772,722	3,427,517	6,402,252	5,490,089	6,135,563	6,348,701	32,478,819	
2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	TOTALS	
(225)	(228)	(359)	(371)	(399)	(392)	(386)										(20,797)	
(225)	(228)	(359)	(371)	(399)	(392)	(386)											
							9,711	12,355	8,272	5,909	11,425	21,341	18,300	20,452	21,162	129,060	
2,032	2,033	2,034	2,035	2,036	2,037	2,038	2,039	2,040	2,041	2,042	2,043	2,044	2,045	2,046	2,047	TOTALS	
(225)	(228)	(359)	(371)	(399)	(392)	(386)	9,711	12,355	8,272	5,909	11,425	21,341	18,300	20,452	21,162	108,263	
77	124	118	122	143	129	199										4,018	
							(3,065)	(3,899)	(2,607)	(1,862)	(3,616)	(6,764)	(5,793)	(6,482)	(5,444)	(39,907)	
(148)	(104)	(240)	(249)	(256)	(262)	(187)	6,646	8,456	5,665	4,047	7,809	14,577	12,507	13,970	15,719	(16,779)	
																89,152	

Refer to assumptions on the page before the Cashflow Projection.



Sensitivity Analysis of Log Price Changes

Based on 36-month average prices to 30 June 2019, average stumpage per hectare for all trees planted from 2012 onwards is \$42,905. Current June 2019 spot prices would yield \$38,494, and 2% p.a. inflation on \$42,905 stumpage increases average stumpage to \$67,035 and to \$71,801 in the final year. Harvest costs and other investment costs could continue to rise in price and not be matched by increases in log prices. The following shows the impact of log price changes from 2019 prices.

Projected return on Investment

Projected return for a 200-share parcel (using recent average log prices) without inflation:

\$89,337 gross

This is the projected net revenue before tax calculated using 36-month average log prices (3 years) to 30 June 2019 and is the base case scenario. Costs to achieve this revenue are the application cost and ongoing Calls of \$20,150 based on 2019 figures.

Projected return for a 200-share parcel (using recent average log prices) assuming inflation of 2% p.a.:

\$133,910 gross

This is the projected net revenue before tax calculated using 36-month average log prices (3 years) to 30 June 2019 with inflation at 2% p.a. Costs to achieve this revenue are the application cost and ongoing Calls of \$20,732.

Internal Rate of Return (IRR)

The percentage return on a forestry investment is the calculated Internal Rate of Return (IRR). The IRR is the discount rate at which discounted costs equal discounted revenues – i.e. the discount rate at which present value cash flows equal zero. Provided all other factors are equal, the IRR provides a basis to compare forestry investments.

Based on the assumptions set out, assuming 2019 log prices:

Gross IRR based on past 36-month log prices	7.41%
Gross IRR based on June 2019 spot prices	6.35%
Gross IRR based on inflation adjusted 36-month log prices	9.33%

What happens if log prices increase or decrease?

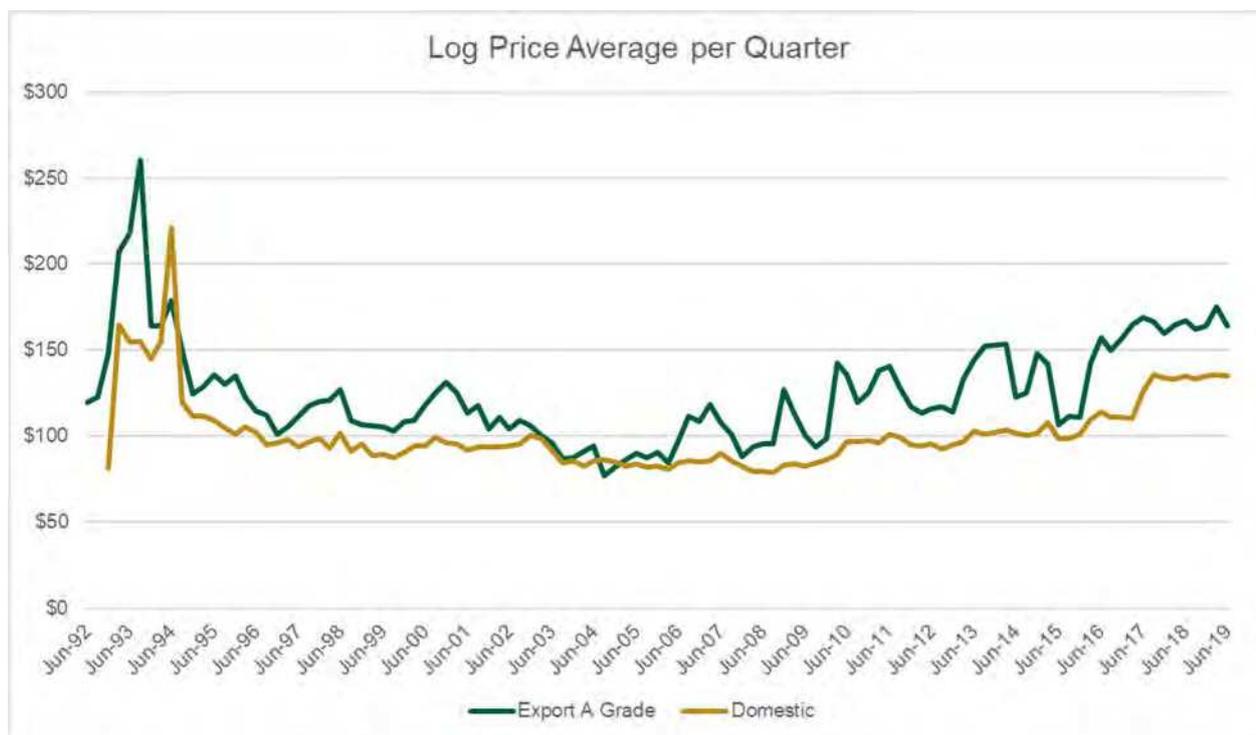
If log prices change in value during the term of the investment, the projected return would change as follows -

Log Price Change Over Term	Projected before-tax return based on 2019 dollars for a 200-share parcel	IRR
Without Inflation (base case)	\$89,209	7.41%
10% Log Price Increase	\$105,781	8.49%
30% Log Price Increase	\$140,071	10.22%
50% Log Price Increase	\$175,015	11.62%
10% Log Price Decrease	\$72,108	6.20%
30% Log Price Decrease	\$38,694	2.65%
50% Log Price Decrease	Harvest would be postponed unless harvest costs reduced	Negative



Historic log price

The graph below demonstrates the inherent volatility of log prices. It plots the Ministry of Primary Industries' log price average per quarter from 1992 to June 2019 for Export A Grade and Domestic logs, using available data.



What happens if the recoverable volume of 648 tonnes per hectare increases or decreases?

A mid-rotation sample inventory and pre-harvest inventory of the trees will occur during the rotation. The projected volume is likely to change at these points and when actual harvest occurs.

The 648 tonnes is made up of different log grades that have different sales prices. If forest growth occurs at different rates to those predicted in the audited Forest Management Plan, assuming changes in volume are consistent across log grades, any increase or decrease would have the same effect as shown above for changes in log prices.

The above returns are not guaranteed. Investors should also refer to *Risks to Returns* in Section 7 from page 32.



7. Risks to Returns from the Ngatawhai Group Forest Investment

No investment is without risk. For this forestry investment, the risks which may influence the amount to be paid in and the projected return fall into the following main categories:

Risk	Management
<p>Crop Risk</p>	<p>If the yield from the Trees is less, returns from the investment will be less.</p> <p>There is the risk that unfavourable climatic events, disease and fire may cause failure of all or part of the Trees or the forest producing less volume and poorer quality logs at harvest.</p> <p>Mitigating Factors</p> <ul style="list-style-type: none"> • These risks are minimised by careful forest management. Insurance cover is in place to minimise the risk in respect of fire and wind related events. • The Manager's view is that changes in anticipated yield is a possibility, but these forests have successfully produced yields off the first crop rotation. Another positive is that the combination of four forests reduces the risk.
<p>Market Risk</p>	<p>If demand for logs reduces, projected returns are likely to reduce.</p> <p>There is the risk associated with changes in supply and demand for pine logs over time resulting in changes in prices relative to the assumptions contained in the projection scenarios.</p> <p>Mitigating Factors</p> <ul style="list-style-type: none"> • The Manager's view is that changes in log prices over time and there is the possibility that increases in log prices also work in the Investor's favour. • The planned spread of harvesting over 9 years reduces exposure to extreme price fluctuations, harnessing time in the market to the advantage of Investors.
<p>Operating Environment Risk</p>	<p>Any of the following factors could increase Calls or reduce returns.</p> <p>There is the risk of inflation, interest rate changes, exchange rate fluctuations and changes in taxation rates and regimes.</p> <p>The Manager's view is that changes in operating environment are inevitable given the long-term nature of the investment. In preparing projected information for the expected life of the Scheme, the Manager has based its expectations for the future on the assumptions set out in Section 6 including inflation at 2% pa. Any one of these assumptions may end up being materially different to what occurs. Investors should consider this along with sensitivity analysis set out on the previous page.</p> <p>Compliance costs becoming more burdensome is a risk, especially if there is further government intervention into forestry practices.</p> <p>Mitigating Factors</p> <ul style="list-style-type: none"> • Logs sold overseas are generally sold in US dollars, so movements in exchange rates is a material risk to exported log sales but this to some extent is minimised by imported costs, such as fuel used in logging and cartage. The exchange rate will not be hedged for the 25+ year timeframe of the Scheme but hedging policies will be reviewed closer to harvest. • There is also the possibility that the Manager may not be available to manage the investment for the full term, although this is considered unlikely. • The level of borrowings is low so this should render any interest rate changes to be small.
<p>Counterparty Risk</p>	<p>If log buyers do not pay for the harvested logs, returns could reduce.</p> <p>Post-harvest, when the logs are sold, receivables owed to the Scheme will at various times be held by counterparties such as the buyers of the logs or by FEG as the forestry manager under a Forestry Management Services Agreement with FEL. From this money, the harvest costs are paid, before the resulting net amount is passed back into the custody of the Scheme's Supervisor</p> <p>Mitigating Factors</p> <ul style="list-style-type: none"> • FEG will hold PPSR charges on log buyers and shipping agents. FEG's marketing and shipping agents typically require irrevocable letters or credit for payment by overseas buyers. • The Manager considers the risk of non-performance by FEG to be low because under the FMC Act contracting out by the Manager does not affect the liability of the Manager which remains responsible for the performance of those functions under the Forestry Management Services Agreement. • To mitigate against the risk of FEG becoming insolvent, the Manager and FEG will have in place trust arrangements over all forest harvest receipts for forests harvested by FEG under the Forest Management Services Agreement.



Were they to occur and if not appropriately managed by the Manager, these circumstances could have a material adverse effect on the Scheme's financial position or future financial performance through a decrease in revenue or an increase in costs. The Manager has taken, and will in the future take, steps to mitigate the effects of these circumstances. However, some risks may not be fully capable of mitigation.

Investors should carefully consider these risks - together with other information in this PDS - before deciding whether to invest in the Scheme.

The description of the circumstances in this section does not take into account the personal circumstances, financial position or investment requirements of any person. It is therefore important that, before deciding whether or not to invest in the Scheme, you consider the suitability of an investment in the Forestry Investment in light of your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).





FORESTS PROTECT NATURE AND BIODIVERSITY

Forest Enterprises forests are sustainably managed to New Zealand's high National Environmental Standards for Plantation Forestry.

Plantation forests provide many positive and enduring environmental benefits. Forests regulate water flow and water quality. They provide erosion protection to hill country, mitigating land destabilisation and land loss into gullies and waterways.

Forests also conserve biodiversity. Flora and fauna, including native New Zealand species (birds, lizards, bats, frogs, insects and plants) depend on the forest canopy and filtered waterways for habitat. For example, karearea (New Zealand falcon) like to nest on the edge of harvested areas and hunt the clearings.

Anyone who purchases shares in Ngatawhai Group Forest Investment will be contributing their proportionate share of such environmental benefits.

Photo: In the foreground is a rare native lowland-wetland reserve in the Ngatawhai Block that thrives undisturbed at the forest boundary

8. What are the Fees?

The fees and expenses charged by any person in respect of the Scheme fall into three main categories. These are “Set Up Fees and Expenses”, “Investor Fees if applicable” and “Ongoing Fees chargeable to the Investment”. These are set out in turn below. All references to fees throughout this PDS are exclusive of GST, if applicable.

Set Up Fees

The fees and expenses charged to the Scheme on its set-up are:

Set Up Fees		
Manager and Associated Persons	Nature of Fee	Period to 31 March 2020
Offeror's Fee / Brokerage	Brokerage is payable to third parties if applicable	\$120,000
Legal Fees	FEL internal Legal Fees for Documentation	\$50,000
Other Party Fees		
Legal Fees	Supervisor Review of Scheme Documentation and external legal fees for transferring properties to the Investment	\$46,000
Supervisor	Set-up Fee	\$5,000
PDS, Scheme Registration & FMA Levy		\$6,100
Assurance Fees	Fees paid to Forme for their review of the Forest Plan & to Baker Tilly Staples Rodway for their review of the prospective financial information contained on the offer register and to Morice Limited for the updated Land Valuation.	\$7,900
Total Fees		\$235,000

The above fees are payable by the Scheme. In respect of the legal fees and other expenses, the Manager may have already met these costs on behalf of the Scheme prior to Settlement of the Properties and, accordingly, is entitled to reimbursement. Other fees may be paid by the Manager between the dates of settlement and this PDS. Those fees will be reimbursed to the Manager. These fees will not change as they are incurred upfront and the Manager is responsible for any under or overs.

Investor fees if applicable

Possible fees chargeable to an Investor only apply if the particular non-routine service is used. These are:

Investor Fees (if applicable)	
Manager and Associated Persons	
Secondary Market Fees	The fees for selling on the secondary market are a \$375 listing fee and a brokerage fee of \$350 for sales values up to \$10,000 and an additional 2% over \$10,000.
Share Transfer Fees	A fee of \$150 applies to transfer of the investment into different names, after the initial application.
Default Fees	The Manager is entitled to recover from a Defaulting Investor all reasonable costs incurred as a result of the default. See further clause 20.4 of the Deed of Scheme Management.
Credit Card Fees	Investors must ensure that the annual Call amount received is the actual amount of the Call net of any charges deducted by any bank. If investors choose to pay by Visa / Mastercard, the Call amount will be grossed up by the bank charge, currently 2.19%

The Investor fees may be either fixed or variable depending upon the nature of service being provided, and such fixed fees plus an hourly rate for variable fees shall be as approved by the Supervisor and reported annually in the Scheme's financial statements.



Ongoing fees chargeable to the Investor

Annual Investor Administration Fee	Maximum Fee - \$60 charged once per Investor in any investment per year, regardless of the size of their shareholding
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Ongoing fees chargeable to the Scheme

The ongoing fees and expenses anticipated to be charged to the Scheme are:

Ongoing Scheme Fees	
Manager and Associated Persons	
Base Management Fee	\$28 per planted hectare per annum
Forest Activity Supervision Fee	20% of the actual cost of work actively supervised
Non-harvest Income Fee	Up to 10% of income actively coordinated and supervised
Investment Update and Indicative Valuation Fee	A fee of 5.5 cents per share (\$3,300 per annum for whole Scheme)
Harvest Management Fee	Currently harvesting fees are \$3 per tonne plus 2.5% of net stumpage. There is an additional \$0.50 per tonne for railyard and wharf infrastructure charges.
Other Fees and Expenses	
Direct Forestry Expenditure	The Manager is authorised to undertake work in accordance with the Forest Management Plan
Supervisor's Fees	Estimated \$4,250 per year
Audit Fees	Financial Audit estimated \$3,000 per year Forest Audit Estimated \$1,500 per year

For the avoidance of doubt, the Manager may incur and pay such fees, costs and expenses otherwise payable by the Scheme on the Manager's own account and claim recovery for such fees, costs and expenses from the Limited Partnership. In addition to the fees, the Manager may recover from the Limited Partnership reasonable disbursements.

Where it is commercially practical (and in the reasonable opinion of the Manager, not otherwise disadvantageous to the Limited Partnership) for the Manager to undertake work that could otherwise be contracted to a third party, and for which a coordination and supervision fee would be payable to the Manager, the Manager may undertake such work and charge a commercially reasonable fee plus disbursements for that work (hence the charge will be no more than that payable to a third party).

How the Manager's Fees can be changed

The Manager's fees may be reviewed from time to time with any variation in such fees to be approved by an Ordinary Resolution of the shareholder of the General Partner (subject to the Beneficial Shareholder Direction Process). The Supervisor may however approve the variation or modification of a fee charged to the Limited Partnership if it believes the variation or modification to be fair and equitable to both the Manager and the Limited Partnership and where in the Supervisor's opinion the variation does not warrant the time and expense of approval by Ordinary Resolution.

How Other Fees can be changed

External operational costs such as insurance and rates change subject to market conditions. Supervisor fees and other third-party costs like audit fees would change subject to agreement with the Manager. Investors will be notified of changes to third-party fees via the annual financial statements each year.



Estimate of Ongoing Fees and Expenses

There is no most recent accounting period for the Scheme. Refer to page 34 for the establishment fees for the period to 31 March 2020.

An estimate of ongoing fees and expenses for the period to 31 March 2020 and the year to 31 March 2021 is:

Ongoing Investment Fees & Expenses				
Manager and Associated Persons	Period ending 31 March 2020	As percentage of Scheme Net Assets	Year ending 31 March 2021	As percentage of Scheme Net Assets
Base Management Fee	\$15,980	0.62%	\$17,564	0.64%
Forest Activity Supervision Fee	\$69,500	2.70%	\$51,312	1.86%
Investment Update and indicative Valuation Fee	\$3,300	0.13%	\$3,300	0.12%
Investor Meeting Costs	\$500	0.02%	\$5,000	0.18%
Disbursements	\$5,000	0.19%	\$5,000	0.18%
Other Fees and Expenses				
Direct Forestry Expenditure	\$335,091	13.00%	\$248,961	9.03%
Supervisor's Fees	\$4,250	0.16%	\$4,250	0.15%
Audit Fees	\$4,500	0.17%	\$4,500	0.16%
Insurance	\$12,408	0.48%	\$7,601	0.28%
Levies	\$0	0.00%	\$0	0.00%
Rates	\$6,390	0.25%	\$7,350	0.27%
Interest Charges	\$23,530	0.91%	\$24,100	0.87%
Contingency	\$5,500	0.21%	\$0	0.00%
Total	\$485,948	18.9%	\$378,938	13.74%

In addition, there is the \$60 Investor Administration Fee charged annually per Investor regardless of the size of their shareholding.

Note: Direct Forestry Expenditure shown above is included with expenses for completeness. However, it more directly relates to increasing the value of the Scheme Property, not operating costs of the Scheme.

Subsequent Period Fees and Expenses

The Offer Register contains Prospective Financial Information for the expected life of the investment. The PDS includes a cashflow summary based on this information, where all fees and expenses are initially based upon 2019 costs, before applying inflation at 2% per annum.

The impact of applying inflation to fees and expenses is that the projected contribution for a 200-share parcel increases from \$20,150 to \$20,732.



9. Tax

Tax can have significant consequences for investments and can affect your returns from this Investment. If you have queries relating to the tax consequences of an investment in Ngatawhai Group Forest Investment, you should seek independent tax advice from a professional advisor.

General overview

Each Investor is assessed individually on their proportionate share of the profit (loss) from the Scheme each year, given each Investor is a limited partner in a Limited Partnership (LP). In May each year, Forest Enterprises will advise each Investor of the amount of their profit (loss).

Until the years of harvest, the investment will generate tax losses each year which will be available for offset against other income of the Investor. Tax losses will be highest in the first nine tax years when a large proportion of the silviculture is being carried out.

Investors will only have to separately include any personal **Cost of Timber** in their tax return if they sell shares on the secondary market after the PDS has closed or they buy further shares after the PDS closed. The Cost of Timber acquired by the Scheme is \$939,398 (or \$3,131 if the minimum holding of 200 shares is acquired).

Partners on the Register of Partners at the end of the LP's financial year will be allocated the full year's profit or loss for tax purposes pro rata to their respective LP shares. It is important to note that allocation will have no regard to transfers during the year, so any transfer price should reflect the consequences of whether the buyer or seller has paid any Call or received any Distribution during the year of transfer.

Tax when holding the Investment at harvest

Under current tax law, harvest proceeds will be paid to Investors as a gross amount and Investors will be responsible for paying tax at their marginal rate. The net return to Investors will depend on their marginal tax rate at the time of harvest.

All Investors buying shares under the Offer in this PDS are buying shares which will have available a proportionate share of the Cost of Timber tax deduction available to the Scheme of \$939,389. This will be applied in the LP tax information circulated to Investors who hold the investment when harvest occurs.

The harvest income allocation rules in the Income Tax Act 2007 entitle Investors to allocate current year harvest income between the year of harvest and the three preceding income years. If allocation is utilised to return harvest income to prior income years, Investors can potentially avoid provisional tax consequences relating to underestimating any harvest income in the current income year.

Tax if selling the Investment before harvest

If an Investor sells shares before harvest and the share transfer value is under the \$50,000 threshold in section HG 5 of the Income Tax Act 2007, no tax is payable by the Investor selling their LP shares and the purchaser is deemed to inherit the seller's cost basis for tax purposes.

On the other hand, if the Tree portion of share sale is over the \$50,000 threshold, the Tree value is taxable income to the seller and the seller would deduct their personal Cost of Timber against the income. Assuming the shares were purchased under the PDS, the personal Cost of Timber to the seller is the same as an Investor's proportionate share of the Investment's Cost of Timber (see above).

Tax if buying additional Shares on the secondary market after the PDS is closed for applications

If an Investor buys shares from a seller who is selling shares under the \$50,000 threshold in section HG 5 of the Income Tax Act 2007, the buyer would inherit the seller's cost basis and would likely be in the same position as someone who bought shares under the PDS.

If an Investor buys further shares when the Tree value is over the \$50,000 threshold, the buyer of the shares receives a further Cost of Timber deduction for the Tree portion of the purchase price paid to the seller. The buyer would need to separately account for any proportionate increase in Cost of Timber from the starting value of \$939,389.

Tax laws can change and the above statements are accurate at the date of this document.



10. About Forest Enterprises Limited and Others Involved in the Ngatawhai Group Forest Investment

About Forest Enterprises Limited

Forest Enterprises Limited (FEL) is the Manager of the Scheme. Forest Enterprises Limited is licensed under the Financial Markets Conduct Act 2013 to manage Managed Investment Schemes (excluding managed funds) which are primarily invested in forestry assets.

FEL is New Zealand's longest established full-service forest management and investment services company. Since 1972, FEL has been helping people grow their wealth through affordable direct investments in some of New Zealand's most exceptional Radiata pine plantation forests, and by expertly managing the forests from establishment to harvest.

FEL is 100% owned by parent company, Forest Enterprises Growth Limited (FEG), which carries out the forest and harvest management activities. Bert Hughes, Graeme Tindall and Gordon Wong are directors of both companies.

FEL forestry schemes (such as the Ngatawhai Group Forest Investment) are structured to provide Investors with a long-term investment in forests, while seeking to minimise the administrative and operational burdens of private forestry ownership.

FEL is the only licenced forestry investment Manager which has a diverse range of skills across the owners and key executives in the business. CEO & Forestry Director Bert Hughes is a New Zealand Institute of Forestry (NZIF) Registered Forestry Consultant and Chartered Member of the New Zealand Institute of Directors; Graeme Tindall is a Chartered Accountant; and Gordon Wong is a practising Barrister and Solicitor.

The Chairman and Executive Directors of FEL are:



John Sexton OBE, FCA

Chair, Forest Enterprises Limited

Since August 2008, John has been an Independent Director and Chair of the Board for FEL, the licensed manager of forestry Managed Investment Schemes (MIS).

John's role is to provide leadership to the Board in support of its strategic and governance oversight of FEL. He also ensures the Executive Directors maintain their high performance standards in the best interests of the Investors.

Being independent means that John has no shareholding in either FEL or its parent company FEG, nor is he a company executive. This enables him to discharge his fiduciary responsibilities as Chair objectively as well as independently.

John is a Fellow of Chartered Accountants Australia & New Zealand, and a professional member of New Zealand Institute of Directors and New Zealand Institute of Management.



Bert Hughes NZIF Registered Forestry Consultant, BBS, NZCF, CMInstD

CEO & Forestry Director

As CEO, Bert is responsible for overseeing all Forest Enterprises activities across the two companies – FEL, and its parent FEG, the land and tree crop management company.

Bert has led the expansion of the Forest Enterprises' forest management capability. He has a depth and breadth of expertise from a 30-year forestry career, having held senior management and executive roles across the industry. Bert's focus is on understanding the market and getting our investors' product as close to the buyer as possible.

He is a New Zealand Institute of Forestry Registered Consultant and a Chartered Member of the New Zealand Institute of Directors.





Graeme Tindall BCA (Hons), CA

Managed Investments Director

Graeme's principal responsibility is the management and accountability of FEL's status as a licensed manager of forestry MIS, and its registered forestry investments. Graeme also provides high-end oversight of the financial management, reporting and compliance for all forestry investments FEL and FEG manages and administers.

Graeme is a member of Chartered Accountants Australia and New Zealand and of the New Zealand Institute of Directors, and an Associate Member of the New Zealand Institute of Forestry.



Gordon Wong LL.M (Hons), Barrister and Solicitor

Legal Services Director

Gordon provides the expertise Forest Enterprises requires to respond to the complexities of the financial markets regime under the Financial Markets Conduct Act 2013.

Gordon is one of New Zealand's most experienced lawyers in the forestry industry. He is also a specialist in financial markets law, legal risk management and the Emissions Trading Scheme.

Gordon has a dual role. He is FEL's in-house legal counsel, advising FEL on the regulatory environment and the many statutes that it must comply with; plus, he provides legal advice to Forest Enterprises' managed investment schemes.

Gordon is a Barrister and Solicitor and a member of the New Zealand Law Society, the In-House Lawyers Association of New Zealand and the New Zealand Institute of Directors.

In addition to Bert, Graeme and Gordon, Forest Estate Manager Malte Coulmann and Gisborne Regional Manager Dan Fraser are shareholders and directors of FEG and are full-time company executives:



Malte Coulmann NZIF Registered Forestry Consultant, BForSc (Hons)

Forest Estate Manager

Malte's responsibility is to maximise the value of the tree crop. This is achieved by ensuring that forest operations, such as pruning and thinning, happen at the right time and to the highest standard.

Malte and his team also manage the technical side of forestry which includes mapping, database management, inventory and modelling which are essential to quality decision-making.

Malte is based at Forest Enterprises' head office in Masterton and provides additional oversight and support to many aspects of our Wairarapa-based forestry operations.

Malte is a New Zealand Institute of Forestry Registered Consultant and a member of the New Zealand Institute of Directors.



Dan Fraser NZCF

Gisborne Regional Manager

Dan is responsible for the major harvest programme of Forest Enterprises' 10,000ha Gisborne estate. He is responsible for ensuring our Investors' forests in Gisborne are harvest-ready, for managing their harvest, and that forestry and harvesting operations are coordinated and optimised.

Dan leads our small Gisborne-based forestry team from our office in Gisborne city.

Dan has a 27-year professional forestry career and has extensive knowledge of harvest and engineering practices and of the harvesting industry.

Refer to www.forestenterprises.co.nz/about-us/meet-our-people for further information on directors and staff.



Contact details

The Manager may be contacted in the following ways:

At its office 5 Papawai Place, Masterton 5810
Post PO Box 128, Masterton 5840
Phone 0800 746 346 or +64 6 370 6360
Fax +64 6 370 6369
Email invest@forestenterprises.co.nz

Who else is involved?

Party	Name	Role
Supervisor	Trustees Executors Limited (FSP37383)	Trustees Executors Limited has been appointed Supervisor for the Scheme. The Supervisor will monitor compliance with the Governing Documents and fulfil the role of Supervisor under the Financial Markets Conduct Act 2013 and Financial Markets Supervisors Act 2011.
Custodian	TEA Custodians (Forest Enterprises) Limited	The Supervisor has appointed TEA Custodians (Forest Enterprises) Limited, a wholly owned subsidiary of Trustees Executors Limited (FSP37383) as the Custodian for the Scheme. The Custodian will be the registered proprietor of the Land on trust for the Limited Partnership in accordance with the Governing Documents. The Custodian will also hold on trust all other Scheme assets not otherwise held in the name of Trustees Executors Limited as Supervisor.
Forest Manager	Forest Enterprises Growth Limited	At all times, the Manager remains responsible for the Scheme, however the coordination and supervision of the field work relating to the Land and Trees is undertaken by the Forest Manager .
Forest Auditor	Forme Consulting Group Limited	The Forest Auditor inspects the forest and provides an independent report each year to Investors which is included in the annual financial statements.
Financial Auditor	Baker Tilly Staples Rodway	The Financial Auditor undertakes the financial and other audits in accordance with the FMC Act and the Scheme's Governing Documents.



11. How to Complain

Complaints about the Manager or about the Ngatawhai Group Forest Investment, in the first instance, should be made to Managed Investments Director, Graeme Tindall of Forest Enterprises Limited at the address of the Manager:

Forest Enterprises Limited

5 Papawai Place
PO Box 128, Masterton
New Zealand

Phone +64 6 370 6363
Email gtindall@forestenterprises.co.nz

If the complaint remains unresolved, the Supervisor can be contacted, or Financial Services Complaints Limited (FSCL).

The contact details of Supervisor, Trustees Executors Limited are:

Trustees Executors Limited

Level 7, 51 Shortland Street, Auckland 1140
PO Box 419
Auckland

Phone 0800 878 783
Email gjo@trustees.co.nz

As a financial service provider registered under the Financial Service Providers (Registration and Dispute Resolution) Act 2008, Forest Enterprises Limited is a member of an approved dispute resolution scheme (registration number FSP37784). This scheme is operated by FSCL. There is no charge for using the services of FSCL to investigate or resolve a complaint.

The contact details of FSCL are:

Financial Services Complaints Limited

Level 4, 101 Lambton Quay
PO Box 5967
Wellington

Phone 0800 347 257
Email info@fscl.org.nz or complaints@fscl.org.nz
Website www.fscl.org.nz



12. Where You Can Find More Information

The following further information relating to the Scheme and the managed investment products is available on the Companies Office Disclose Register at www.companiesoffice.govt.nz/disclose, or on request to the Registrar.

Offer Register	Scheme Register
<ul style="list-style-type: none"> • Full Prospective Financial Statements • Baker Tilly Staples Rodway's Limited Assurance Engagement Opinion • Forest Management Plan • Forme Consulting Group's audit report on the Forest Management Plan • Sale & Purchase Agreement for the 4 forest properties • Independent Land Valuation Reports for the 4 properties 	<ul style="list-style-type: none"> • Statement of Investment Policy & Objectives (SIPO) • Deed of Scheme Management • Limited Partnership Agreement • Constitution of General Partner
<p>The Offer Register may be viewed at www.companiesoffice.govt.nz/disclose, and search 'Ngatawhai Group Forest Investment' under 'Search Offers'.</p>	<p>The Scheme Register may be viewed at www.companiesoffice.govt.nz/disclose, and search 'Ngatawhai Group Forest Investment' under 'Search Schemes'.</p>

No other information relating to the Scheme will be available other than the information contained in this PDS and on the Offer Register and Scheme Register.

All information available on the Offer Register and the Scheme Register is also available on request free of charge from the Manager:

Forest Enterprises Limited

5 Papawai Place
PO Box 128, Masterton
New Zealand

Phone 0800 746 346 or +64 6 370 6360
Email invest@forestenterprises.co.nz
Website www.forestenterprises.co.nz

Or contact our Client Team directly:



Sean Roberts – Customer Services Manager

Sean was Forest Enterprises' client manager at Trustees Executors Limited for 17 years before joining our team. He therefore has a deep understanding of our investment products, of our responsibilities as an investment manager and, most importantly, of our clients.

Sean is responsible for all aspects of our investor relations which includes client communications and compliance.

Mob. +64 21 822 802 | sroberts@forestenterprises.co.nz



Nikki Coulmann – Marketing Manager

Nikki manages our company communications and marketing programmes, and in doing so is responsible for promoting Forest Enterprises' second rotation forestry investments to the next generation of investors.

Nikki works with Sean in identifying and meeting client needs, particularly with respect to clients' expectations of us as their manager and keeping clients informed and engaged.

Mob. +64 27 55 44 325 | ncoulmann@forestenterprises.co.nz





DIVERSIFICATION AND OTHER INVESTMENT BENEFITS

Investing in alternative assets like forestry can be complementary to equities, interest bearing deposits, fixed income and property for diversifying and lowering the risk in an investment portfolio. Timber typically has low volatility.

The biological nature of forestry often insulates the investment from fluctuations in other asset classes. The value is in the timber.

Forestry investment by nature is long-term. Income is deferred for around 20 years until harvest commences, meaning tax is also deferred. Each year until harvest, Investors are able to deduct some of the Investment's annual expenses against their total income.

Photo: A stand of mature first rotation trees in Seaview Block prior to harvest in 2017

13. How to Apply

To apply, prospective Investors must provide the following:

- A completed and signed Application Form (and Power of Attorney)
- For Investors new to the Manager, the identification and other Anti-Money Laundering due diligence information referred to on the Form in Parts B and C
- Payment of the total application amount

Who can invest?

Individuals, couples and families can invest jointly. Please use the *Application Form* from page 52.

New Zealand Trusts, Companies, and Partnerships can invest. Please download the Trust, Company or Partnership Application Form from our website www.forestenterprises.co.nz/forms, or request a copy by email or by post.

How to Invest

Please complete Part A, Parts B and C if required, read Part D and sign Part E of the Application Form (all shaded boxes).

Part A Applicant Details	This information is required for the Managed Investment Scheme records. The Overseas Person disclosure is required for the purposes of the Overseas Investment Act 2005 and the Anti-Money Laundering and Countering Finance of Terrorism Act 2009. We will advise any further steps if required.
Part B Customer Due Diligence	Under New Zealand's Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML), we must obtain from you relevant information on the nature and purpose of the proposed business relationship you will have with Forest Enterprises.
Part C Identity Verification for New Customer	New Zealand's AML requires all Investors to provide proof of identification and residential address. The accepted documentation is outlined in Part C. This applies to all Applicants investing with Forest Enterprises for the first time.
Part D Limited Power of Attorney	This is a strictly limited Power of Attorney in favour of Trustees Executors Limited to enable them to attend only to the statutory and procedural matters relating to the operation of the Managed Investment Scheme. The Power of Attorney specifically excludes the Attorney from participating in any decision affecting the forestry activity, any decision that may affect your investment contributions, or share of the harvest proceeds.
Part E Signature(s)	The Application Form must be signed by all Investors and Investors must be of full legal capacity: an individual who has attained the age of 18 years and is competent to manage their own affairs in relation to property. All signatures must be witnessed – the witness must be 18 years or more, of full legal capacity, and independent i.e. not a partner, spouse or family member, and not another investor.

Returning your application

Please scan the completed Application Form and return with all required supporting documentation by email to invest@forestenterprises.co.nz. Or you can post your application to Forest Enterprises, PO Box 128, Masterton 5840.

If you require help

Please call 0800 746 346 (PINEGOLD) or +64 6 370 6360 to speak with Nikki Coulmann or Sean Roberts about your application. Additional copies of this Application Form, including the Form for Trusts, can be downloaded from our website www.forestenterprises.co.nz/forms or contact us to request a copy.

Privacy Act statement

Applicants have the right under the Privacy Act 1993 to obtain access to, and request correction of, all personal information held by Forest Enterprises Limited. Unless contrary directions are given to Forest Enterprises Limited, the company may from time to time provide information to the Applicant on future investments, financial services, or products that Forest Enterprises believes may be of interest or benefit to the Investor.

A copy of Forest Enterprises' Privacy Policy is available on request and is available at www.forestenterprises.co.nz/privacy-policy





ECONOMIC AND SOCIAL BENEFITS

According to Te Uru Rākau (Forestry New Zealand), forest and wood products are New Zealand's 3rd largest export earner after dairy and meat.

It is a significant industry in New Zealand, contributing \$6.38 billion in export earnings to June 2018 (\$3.3b of logs and \$3b of other forest products). Forestry directly employs around 20,000 people in New Zealand, mostly in the regions.

As well as economic benefits, forests also provide social benefits such as outdoor recreation and aesthetic value, and wellness. The Workplace, Wellness & Wood Report (2018) from Australia found that biophilic design elements like plants, natural light and exposed wood are correlated with increased workplace satisfaction, higher levels of well-being and productivity, and a feeling of connection with nature.

Photo: Loading out of the Jacksons Creek Block during harvest in 2017

Glossary of Terms

Beneficial ownership	Investors hold limited partner shares in Ngatawhai Group Forest LP, plus beneficial ownership of an equal number of shares in the General Partner, Ngatawhai Group Forest GP Limited. For administrative and compliance purposes, these General Partner shares are held in bare trust for the Investors by the Manager in its capacity as “the GP Share Trustee”. Under the Governing Documents, the beneficial owner has full voting rights on all important decisions which require a resolution of General Partner shareholders.
Beneficial Shareholder Direction Process	Is the process by which the Investors, as the beneficial owners of the shares in the General Partner, will instruct the GP Share Trustee to vote on important shareholder decisions.
Call	This Managed Investment Scheme is contributory by nature. Investors are required to meet their share of the annual budget to undertake the work related to the management of the forest assets and costs arising from managing the Investment. This obligation results in calls made by the Manager for contributions to meet costs and expenses.
Cost of Timber	Cost of Timber is a technical area of New Zealand tax law relating to deductions for certain forestry expenditure. The main purpose of section DP 11 of the Income Tax Act 2007 is to allow a deduction for certain forestry expenditure that might not otherwise be deductible. A vendor is entitled to deduct the ‘cost of timber’ from the proceeds realised from the sale of such timber. The cost of timber includes the purchase price of the timber where it is purchased as standing timber, or the acquisition cost of a right to take timber.
Custodian	The Custodian of Ngatawhai Group Forest Investment is TEA Custodians (Forest Enterprises) Limited, a wholly owned subsidiary of Trustees Executors Limited. The Custodian must be independent of the Manager and holds some or all of the Scheme Property in trust for the Investors.
Deed of Scheme Management or DOSM	The Deed of Scheme Management is the pre-eminent governing document in respect of the Ngatawhai Group Forest Investment, and incorporates all the elements required under the FMC Act for the administration, management and governance of the Scheme.
distribution	The cash return to Investors from the net proceeds of harvest revenue. Payment of distributions is likely to be made at quarterly intervals once cashflow from harvest has commenced and harvest expenses have been paid.
establishment	The planting phase of a forest, all the physical operations needed to bring a Trees into being, including the purchase of land.
first rotation	A rotation is the period of time from when a forest is first planted to when it is harvested. The first rotation refers to the first period that Trees are grown on a particular area of land. All the forests in Ngatawhai Group Forest Investment are second rotation forests.
FMC Act	Financial Markets Conduct Act 2013
Forest Enterprises Growth Limited or FEG	FEG is the parent company of FEL, and is a forestry management company which provides comprehensive forestry management services, harvest management, log sales and other associated services. It is the Offeror of shares in the Ngatawhai Group Forest Investment.
Forest Enterprises Limited or FEL	FEL is the Issuer and licensed Manager of the Ngatawhai Group Forest Investment and undertakes the Scheme administration.
Forest Growers Levy	The Forest Growers Levy is a levy applied to all harvested wood products (logs) and payable to the Forest Growers Levy Trust as per the Commodity Levies Act (2013). For further information on this levy visit www.fgl.org.nz .



Forest Management Plan or Plan	The Plan sets out the activities for the establishment, management and harvest of the Radiata pine forest which is the primary asset of the Ngatawhai Group Forest Investment. It is managed by the Forest Manager, FEG.
Forestry Management Services Agreement	FEG is appointed by FEL to provide all of the silviculture, harvesting and forestry management services necessary for the establishment, maintenance, growth and harvesting of the forests, and to market the forest produce. These services are contracted out by the Manager to FEG under the Forestry Management Services Agreement.
Forest Manager	Forest Enterprises Growth Limited is the Forest Manager, responsible for carrying out the Forest Management Plan for Ngatawhai Group Forest Investment.
Foundation Investor	A current partner in Te Wharau Forestry Partnership, Ngatawhai Forestry Partnership, Jacksons Creek Forestry Partnership, or Seaview Forestry Partnership being the 4 forestry partnerships which sold their land and second rotation trees to the LP in order to form Ngatawhai Group Forest Investment,
General Partner or GP	Under the Limited Partnerships Act 2008, the General Partner (GP) is the person responsible for the day-to-day management of the Limited Partnership and its business. This management responsibility has been contracted out by the GP to the Manager. However, limited partners retain control by holding beneficial ownership of shares in the GP and voting on resolutions on key decisions affecting the Investment.
GP Share Trustee	The Manager is the GP Share Trustee and in this capacity acts as nominee shareholder of all the shares in the GP holding the shares as bare trustee for the Limited Partners. Each Limited Partner's beneficial ownership in the GP shares is in the same proportion as each Limited Partner's proportion of shares in the Limited Partnership.
Governing Documents	The Governing Documents are the Deed of Scheme Management and Limited Partnership Agreement, and any other deeds, agreements or instruments that constitute or govern the Ngatawhai Group Forest Investment for the purposes of the FMC Act. These are available to read and download from the Scheme Register at www.companiesoffice.govt.nz/disclose by searching 'Ngatawhai Group Forest Investment' under 'Search Schemes'.
Hold Period	Until FEG has sold all its shares under the Offer (as well as any additional Shares it acquires), there is a Hold Period where Investors will not be able to sell their shares on the secondary market.
Improvements	The roading, fencing and any other valuable additions made to the Land but excludes the Trees which are valued separately.
Internal Rate of Return or IRR	Internal rate of return (IRR) is a metric used in capital budgeting to estimate the profitability of potential investments. IRR on a forest investment is the rate of return that makes the net present value of all cash flows (both positive and negative) from a particular investment equal to zero. It can also be defined as the discount rate at which the present value of all future cash flow is equal to the initial investment or, in other words, the rate at which an investment breaks even. IRR calculations rely on the same formula as NPV does.
Investment	The registered Managed Investment Scheme, Ngatawhai Group Forest Investment, in which Investors purchase shares. This PDS refers to the Investment also as a 'Scheme' or the 'LP'.
Investor	The person(s) who own shares in the Managed Investment Scheme that is Ngatawhai Group Forest Investment. This PDS refers to the Investor also as a 'Scheme Participant', the 'limited partner' or 'shareholder'.
Investor Administration Fee	An annual fee of \$60 per year charged to each investor regardless of the size of their shareholding in the Investment.
Issuer	According to the FMC Act, in relation to a managed investment product, the Issuer is the Manager of the Managed Investment Scheme. Therefore, as the Manager of Ngatawhai Group Forest Investment, Forest Enterprises Limited is the Issuer.
Land	There are 4 blocks of Land which are owned by the Scheme and on which the Trees have been planted: <u>Jacksons Creek</u> Te Wharau Road, 258.1894ha - CT WN26A/360 <u>Ngatawhai</u> Te Wharau Road, 397.495ha - CTs WN18A/449, WN20B/1493, WN27C/841, WN32A/228, WN32A/227 <u>Seaview</u> Kaiwhata Road, 176.0028ha - CT WN953/84 <u>Te Wharau</u> Te Wharau Road, 77.5395ha - CT WN31D/696
Limited Partners	The Investors in Ngatawhai Group Forest Investment as limited partners and holders of shares in the Ngatawhai Group Forest LP.



Limited Partnership or LP	The registered MIS, Ngatawhai Group Forest Investment has been structured as a Limited Partnership, Ngatawhai Group Forest LP. The LP is an 'other managed investment scheme' for the purposes of the FMC Act and, accordingly, in certain places, this PDS refers to the LP as a 'Scheme' or the 'Investment'.
Limited Partnership Agreement	A Limited Partnership must have a written partnership agreement which sets out the matters agreed between the GP, the LP and the limited partners in respect of the operation of the Limited Partnership and the conduct of its business.
Managed Investment Scheme or MIS	Ngatawhai Group Forest Investment is a Managed Investment Scheme registered under the FMC Act. Generally, in a MIS: <ul style="list-style-type: none"> • a group of people are brought together to contribute money in return for shares in the scheme • money is pooled together and used in a common enterprise • financial benefits are produced principally by the efforts of another person under the scheme • a 'responsible entity' (a licensed Manager) operates the scheme meaning that investors do not have day-to-day control over the scheme's operation. Property investment such as forestry (land and trees) is a common type of MIS. Typically, an MIS manager will exercise skill, and provide expertise and decision-making in managing the forest and administering the investment. The Supervisor acts on behalf of the Investors to supervise the performance of the Manager and ensure it complies with its obligations under the FMC Act and the Governing Documents.
Manager	In relation to a registered Scheme, the person appointed to manage the Scheme Property and investments and administer the scheme, Forest Enterprises Limited, is the licensed Manager of Ngatawhai Group Forest Investment.
Net Stocked Area	The actual area of land in the forest that has a Trees on it.
Offer or Intended Offer	Inviting applications for the issue and/or purchase of financial products.
Offer Register	The Offer Register contains information about financial products, issuer details and documents such as product disclosure statements. It is managed by the Companies Office and is found online at www.companiesoffice.govt.nz/disclose .
Offeror	According to the FMC Act, in relation to the offer of new financial products, the Offeror is the person who has the capacity, or who agrees, to transfer the financial products if the offer is accepted. Therefore, as the owner of the Ngatawhai Group Forest Investment shares that will be transferred upon application, Forest Enterprises Growth Limited is the Offeror.
Ordinary Resolution	A resolution passed at a meeting of the Limited Partnership (or shareholders resolution of the General Partner) by a simple majority of limited partners (or beneficial owners of the GP shares) who are entitled to vote and in voting vote in favour of the resolution. An ordinary resolution is required for making most investor decisions.
pine	Pinus radiata. A fast-growing soft-wood tree that grows up to 35 metres and has many commercial uses. It is the most commonly grown tree in New Zealand's plantation forests.
pre-1990 forest land	Land that was in forest on 31 December 1989 and remained in predominantly exotic forest on 31 December 2007. It automatically became a mandatory participant in New Zealand's Emissions Trading Scheme. Practically, this means the Scheme has replanting obligations under the Climate Change Response Act 2002. As pre-1990 forest land, carbon credits will not be received by the Scheme during its second rotation.
Product Disclosure Statement or PDS	The name of the registered disclosure document produced by Forest Enterprises Limited for prospective investors as required under the FMC Act for new issue investments.
pruning	Removal of branches flush with the trunk to promote the growth of knot-free timber. There are 1–4 prunes (sometimes called 'lifts') that usually occur between 4 and 8 years after planting.
related party	According to the FMC Act, the Manager must not enter into related party transactions unless they are at arm's length or approved by the Supervisor or Investors. A related party is a scheme-connected person such as: <ul style="list-style-type: none"> • the Manager • any other person to whom the Manager has contracted out some or all of its functions as a Manager • an associated person of a scheme-connected person such as the Manager



Replanting Receivable	The agreed contribution of the previous forest owners towards the costs of replanting which is carried out by the LP. The amount to be contributed by the previous owners is fixed and the LP will be responsible for any unders or overs.
Scheme	The registered Managed Investment Scheme that is Ngatawhai Group Forest Investment.
Scheme Participant	The person(s) who own shares in the Managed Investment Scheme that is Ngatawhai Group Forest LP for the purposes of the FMC Act. This PDS refers to the Scheme Participant also as the 'Investor' or the 'limited partner'.
Scheme Property	This is the property of the Scheme and includes contributions of money by the Investors in the Scheme, the Land and Trees, cash deposits and other assets which relate directly to or arise from investment in the Land and Trees.
Scheme Register	The Scheme Register contains information about managed investment schemes, scheme managers and documents such as financial statements. It is managed by the Companies Office and is found online at www.companiesoffice.govt.nz/disclose .
second rotation	A rotation is the period of time from when a forest is planted to when it is harvested. The second rotation refers to the second period that Trees are grown on a particular area of land. Second rotation pine plantations have a range of superior qualities to the first rotation.
secondary market	This is the market Forest Enterprises operates to facilitate the sale and purchase of established Forest Enterprises financial products on behalf of existing clients by matching buyers with sellers.
share	The name of the unit of investment in a Limited Partnership formed under the Limited Partnerships Act 2008.
silviculture	Establishing, growing and tending forest crops.
Special Resolution	A resolution passed at a meeting of the Limited Partnership (or shareholders resolution of the General Partner) at which limited partners (or beneficial owners of the GP shares) holding at least 75% of the LP shares who are entitled to vote and in voting vote in favour of the resolution. A special resolution is required for major LP decisions such as the sale of Land.
Statement of Investment Principles and Objectives or SIPO	A document that sets out the investment governance and management framework, philosophy, strategies and objectives of a Managed Investment Scheme and its investment funds or assets. Under the FMC Act, all managers must ensure there is a SIPO for each MIS they manage.
stumpage	The net payment to investors for a stand of trees. Normally expressed as \$/hectare.
Supervisor	In relation to this Managed Investment Scheme, the Supervisor is appointed to look after Investors' interests under the Scheme, per the FMC Act. Supervisors must be registered and are covered by the Financial Markets Supervisors Act 2011 (the FMS Act). The Supervisor of Ngatawhai Group Forest Investment is Trustees Executors Limited
tending	The collective term for the various tasks (such as pruning) to improve tree form and wood quality, during the period between when a forest crop is established and the first thinning.
Trees	The Land and Trees on the Land are the primary assets of Ngatawhai Group Forest Investment. The Trees are the crop of Radiata pine trees growing on the Investment's land that are being managed to harvest.
thinning	Removing stems within an area of trees to promote growth from the remaining trees.





GIVING INVESTORS ACCESS TO THE BEST

There are very few opportunities for individual investment in forestry in New Zealand due to the structure of forest ownership and the scale required for successful forestry operations.

Most of the best locations and the prime forests are already in corporate ownership. Forest Enterprises offers an affordable entry into forestry investment with exceptional land, and high quality, proven plantations.

The forest properties comprising the Ngatawhai Group Forest Investment are some of the best forestry sites in New Zealand (topography, soils and climate) and are located an economic distance from the end customer and port.

Not every forest has these critical success factors.

Photo: New planting in the Seaview Block in 2017

Application Form

This offer is a regulated offer for the purposes of New Zealand law and does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

This Application Form is for an individual(s) to purchase shares in the Ngatawhai Group Forest Investment (SCH12683), in a personal capacity (individually or jointly), and constitutes the Deed of Assignment and Power of Attorney for the purposes of the Deed of Scheme Management.

Please complete Part A, Parts B and C if required, read Part D, then sign Part E (all shaded areas).

PART A: Applicant Details

Application for the **Ngatawhai Group Forest Investment** (SCH12683) by:

Preferred First Name	Last Name	Mr/Mrs/Other	Existing Investor? *	Overseas Person**
Applicant 1:			Yes No	Yes No
Applicant 2:			Yes No	Yes No
Applicant 3:			Yes No	Yes No
Applicant 4:			Yes No	Yes No
Postal Address:			Post Code:	
Email Address:			Phone Number:	

* Existing Forest Enterprises investors may not need to complete the customer due diligence sections in Part B and C of this Application. Please contact us if you are an existing investor.

** An Overseas Person is neither a New Zealand citizen nor ordinarily resident in New Zealand. Please contact us if you think you are an Overseas Person.

1. Application

Shares are **\$48.63** per share. Applications must be for a minimum of 200 shares and additional shares may be purchased. For example, the Initial Investment for 200 shares is \$9,726; and for 500 shares it is \$24,315.

This application is for shares for a total Initial Investment of \$

2. Declaration – Applicants to Sign in Part E

Each applicant named in Part A:

- Confirms they have read and understood the Product Disclosure Statement for Ngatawhai Group Forest Investment.
- Acknowledges and agrees that they are bound by the terms of the Governing Documents (including the payment of Calls), and the terms contained in the Product Disclosure Statement for this Investment and in this Application.
- Irrevocably appoints Trustees Executors Limited as their duly authorised agent for the purposes of signing any documents on their behalf necessary to register the shares in this Investment in their name.
- Grants to Trustees Executors Limited the Limited Powers of Attorney set out in Part D which is a condition of being a limited partner in the Limited Partnership, and being a beneficial owner of shares in the General Partner.
- Confirms that every Applicant is aged at least 18 years and is of full legal capacity.
- Acknowledges that this Application will only be accepted if payment is received, and the documentation necessary, including customer due diligence, to settle the purchase of the shares is completed and returned.

3. Payment Options – Please Indicate by Ticking One Box

- Initial Investment deposited to Forest Enterprises Growth Trust Account 02-0688-0222006-04 at BNZ. Please identify your payment by entering the **last name** of Applicant 1 in the *Particulars* field, their **initials** in *Code* and **Ngatawhai** in the *Reference* field.
- Cheque made out to *FE Growth Trust Account*.



PART B: Customer Due Diligence

New Zealand's Anti-Money Laundering and Countering Financing of Terrorism Act 2009 requires all investors to provide proof of identification and residential address.

All applicants must complete Parts B and C.

The other information requested below are requirements of the Limited Partnership Act 2008 and the Income Tax Act 2007.

Scan and return documents by email to invest@forestenterprises.co.nz or you may post to Forest Enterprises, PO Box 128, Masterton 5840.

Note for existing Forest Enterprises investors: If you are an existing Forest Enterprises investor and investing in the same personal capacity then you may not need to complete the customer due diligence sections in Part B and C of this Application. Please contact us.

1. Individual and Joint Investors

Full Legal Name of Applicant(s)	Date of Birth	NZ IRD Number	Residential Address including postcode (PO Boxes cannot be accepted)
	Place of Birth		
	Country of Birth		
Applicant 1:			
Applicant 2:			
Applicant 3:			
Applicant 4:			

2. Nature and Purpose of Your Investment

Do you intend to hold the Shares for the life of the Investment?	Yes/No
If the answer is "No", what is the likely timeframe you intend to hold the Shares?	



PART C: Identity Verification for New Customer

This Part is to assist you to select and complete the documentation required to verify your identity and residential address. Each Applicant needs to complete this Part. Download or request additional copies.

Do this by ticking your choices from the options available below and return with this Application the documents selected for each of **1. Proof of Identification** AND **2. Proof of Residential Address**. The Proof of Identification documents must be certified in the manner set out below.

Note: There are special information requirements below for Overseas Persons. You are an Overseas Person if you are neither a New Zealand citizen nor ordinarily resident in New Zealand. Contact us if you are unsure.

1. Proof of Identification	
You have two options, <i>either A or B</i>	
A ONE document required A certified copy of ONE of either : <input type="checkbox"/> Photo page of a current PASSPORT or <input type="checkbox"/> A current NEW ZEALAND FIREARMS LICENCE or <input type="checkbox"/> A current photo NATIONAL IDENTITY CARD (Overseas Persons only showing name and date of birth)	B TWO documents required A certified copy of ONE of either : <input type="checkbox"/> A current DRIVER'S LICENCE or <input type="checkbox"/> A current NEW ZEALAND 18+ Card AND A certified copy of ONE of these documents: <input type="checkbox"/> Birth Certificate <input type="checkbox"/> Certificate of New Zealand Citizenship <input type="checkbox"/> Bank statement (NZ only) <input type="checkbox"/> Government agency document (NZ only)
Certification of Proof of Identification Photocopies of your identification document(s) need to be certified within 3 months of when we receive it. You must present the original(s) to the certifying person. Please also photocopy the document's expiry date. For New Zealanders, certification can be done by any one of the following Trusted Persons who must NOT be a relative or living at the same address: Lawyer Chartered Accountant Notary Public Justice of the Peace Police Officer Registered Teacher Registered Medical Doctor Court Registrar Minister of Religion NZ Honorary Consul For Overseas Persons, certification must be by a person authorised by law in their country of residence to take statutory declarations, for example a lawyer or a notary public. Certification requires the Trusted Person to write clearly on the copy the following declaration – <i>'I hereby certify that this is a true copy of the original document which I have sighted and I am satisfied that it verifies the identity of the named individual'</i> . The Trusted Person should write their name and designation, sign it and date it.	

2. Proof of Residential Address
A copy of ONE of the following documents which must clearly state your name plus your residential address (PO Box not allowed): <input type="checkbox"/> Utility Bill <input type="checkbox"/> Bank Statement <input type="checkbox"/> Government Agency Document (e.g. council rates, electoral notice, tax summary) Note: Proof of Residential Address does NOT need to be certified, however it must be dated within 6 months of when we receive it.

3. Politically Exposed Person
This is an individual who holds a 'Prominent Public Function' e.g. head of a country, government ministers, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprises. If you, or any of the persons listed above, or any immediate family member (including spouse, partner, child, child's spouse/partner or parent), hold or have held in the last 12 months a 'prominent public function' in any country other than New Zealand, please provide details of the function held and the country:



PART D: Limited Power of Attorney

A Limited Power of Attorney is granted by the Investor to the Supervisor to enable them to attend only to the statutory and procedural matters relating to the operation of the Investment.

1. **Appointment of Attorney:** The Investor irrevocably appoints Trustees Executors Limited or any corporate trustee company that succeeds Trustees Executors Limited as the supervisor of the Scheme (“the Attorney”) to be the Investor’s Attorney with the limited powers given by this Power of Attorney.
2. **Powers:** The Attorney may in its own name and as the Investor’s Attorney do or perform any of the acts set out in paragraph 5 below and will have sole discretion as to decision making with respect to this Power of Attorney.
3. **Binding and Non-Revocable:** The Investor agrees to be bound by whatever the Attorney may lawfully do by this Power of Attorney. The powers conferred by this Power of Attorney may not be revoked or suspended except with the prior written agreement of the Manager and the Attorney.
4. **Reliance on Power of Attorney:** No person dealing with the Attorney in good faith will be bound to enquire as to whether this Power of Attorney is in full force and effect or as to the propriety of anything the Attorney may do by this Power of Attorney. A written statement by the Attorney to the effect that the Attorney has no notice of the revocation or suspension of its powers and authorities under this Power of Attorney will be conclusive evidence to that effect.
5. **Power of Attorney under the Deed of Scheme Management and Limited Partnership Agreement (together “the Governing Documents”)**

The Attorney will have the following limited powers:

- a. To appoint any director of the General Partner present at any meeting of the Limited Partnership (“Meeting”) as proxy for the Investor (if not present at the Meeting) solely for the purpose of satisfying the common law requirement that a meeting cannot be held without at least two individuals present in person or proxy;
- b. To waive on behalf of the Investor (if not present at the Meeting) any irregularity in the notice of Meeting but only if the irregularity is of a technical or non-material nature;
- c. To vote for the resolution required by the Limited Partnerships Act to approve a new limited partner if the transfer has been approved by the Manager in terms of the Governing Documents;
- d. To approve an amendment to a resolution set out in a notice of meeting provided that the amendment is:
 - i. the correction of an error; or
 - ii. a qualification of the application or restriction of the effect of the resolution on limited partners; or
 - iii. for clarification and in the opinion of the Attorney consistent with the clear intent of the resolution;
- e. To approve an amendment (“Change”) to the Governing Documents:
 - i. to comply with the provisions of any statute or statutory regulations; or
 - ii. if in the opinion of the Manager the Change is made to correct a manifest error or is of a formal or technical nature or is convenient and does not have a material adverse effect on the Investors, and the Change is subject to prior approval by the Supervisor;
- f. To execute on behalf of the Investor the documentation necessary to record any authorised changes to the Governing Documents; and
- g. To vote on any resolution which in the opinion of the Manager is necessary to give effect to the underlying principles or benefits to the Limited Partnership of the other limited powers given by this Power of Attorney; or which is of a formal or technical nature; or which is convenient for the Scheme **provided that** the resolution does not have a material adverse effect on the Investor and has met with the prior approval of the Supervisor.



PART E: Acknowledgment, Confirmation and Signature(s)

Each Applicant is required to sign below an acknowledgement of the requirements and contents of this Application and that it is complete and accurate.

By signing this Application below, each Applicant acknowledges and confirms the matters stated in the Declaration in Part A, the accuracy of the information in Parts B and C (if required), and the appointment of Trustees Executors Limited as attorney under the Limited Power of Attorney set out in Part D.

This Application comprises:

- Part A Applicant Details including Declaration and Payment Options
- Part B (if applicable)
- Part C (if applicable)
- Part D Limited Power of Attorney
- Part E Signature(s)

Each Applicant's signature must be witnessed by someone who is at least 18 years of age, of full legal capacity, and independent i.e. they are not a partner, spouse or family member *and* not another applicant.

Signed by Applicant 1:		In the presence of:	
Applicant 1 Full Legal Name:		Witness Full Name:	
Signature:		Witness Signature:	
Date:	Witness Town/City of Residence:	Witness Occupation:	
Signed by Applicant 2:		In the presence of:	
Applicant 2 Full Legal Name:		Witness Full Name:	
Signature:		Witness Signature:	
Date:	Witness Town/City of Residence:	Witness Occupation:	
Signed by Applicant 3:		In the presence of:	
Applicant 3 Full Legal Name:		Witness Full Name:	
Signature:		Witness Signature:	
Date:	Witness Town/City of Residence:	Witness Occupation:	
Signed by Applicant 4:		In the presence of:	
Applicant 4 Full Legal Name:		Witness Full Name:	
Signature:		Witness Signature:	
Date:	Witness Town/City of Residence:	Witness Occupation:	

Please contact us if you require an additional signature page(s) for additional Applicants.
Email us at invest@forestenterprises.co.nz or call 0800 746 346 (0800 PINEGOLD) or +64 6 370 6360.

