

Millmore Forest Investment

Investment Report

12 April 2021



Forest inspection

Photo September 2020

Indicative Valuation Range for 200 shares	Projected Return	Location
\$46,200 to \$47,600	\$118,609 gross	21km north of Gisborne
The Indicative Valuation Range and the Projected Return above have been calculated using the assumptions set out in this Investment Report. Changes to the assumptions can have a material effect on these figures.		

Two holdings of 200 shares in the Millmore Forest investment are available for purchase by tender facilitated by Forest Enterprises. As they are being sold by separate sellers a separate tender form must be submitted for each parcel of shares if you wish to tender for 400 shares. Note, one (or both) of your tender(s) may not be successful.

NOTE: Return amounts expressed throughout this Report are based on a 200-share holding.

Disclaimer:

Treestock inventory using LiDAR has been used. This new technology has reflected different stocking levels than those levels estimated using previous inventory methodologies. Stocking levels impact future returns.

Contents

What will the investment cost?	3
What is the projected return?	4
How do I invest in Millmore Forest?	5
Investment Structure	5
Who is involved in providing this investment for me?	6
The Millmore Forest	7
How has the projected return at harvest been calculated?	8
December 2020 Managers Report	9
General Notes to the Cashflow Projection	10
Cashflow Projection (unaudited)	11
December 2020 Statement of Financial Position (unaudited)	12
Detailed Location Map	13
Example Tender Form	14
Example Deed of Assignment and Power of Attorney	15

Additional information for investors

The first six documents listed below about the Millmore Forest Investment are available from the Companies Office website www.companiesoffice.govt.nz/disclose under Search Scheme SCH10974. Refer to page 5 for details of the Investment Structure.

Document	Note
31 December 2020 Financial Report (unaudited)	Extracts from the unaudited 2020 Financial Report are contained in this Investment Report
31 December 2020 Annual Report (unaudited)	Prescribed document which includes the fees, details and description of the Scheme
Deed of Scheme Management (DOSM)	This document amends, restates and renames the previous Deed of Participation, amends the Limited Partnership Agreement (below) and merges the Management Agreement (which set out the powers, duties and responsibilities of Forest Enterprises Limited as the manager of the investment scheme. The DOSM also sets out the powers, duties and responsibilities of the Supervisor, the Custodian and the Financial Auditor
Limited Partnership Agreement	Sets out the matters agreed between the Limited Partnership, the General Partner and the Limited Partners in respect of the operation of the Limited Partnership
Constitution of the General Partner	Sets out how shareholders, directors and other parties interact with each other
Statement of Investment Policy and Objectives (SIPO)	Sets out the investment policy and objectives of the registered Scheme
The Impact of the Emissions Trading Scheme on your Forestry Investment	Prepared by Forest Enterprises for investors, May 2009
Recommended Carbon Lease Proposal – Frequently Asked Questions	Prepared by Forest Enterprises for investors, October 2012

Visit our website at www.forestenterprises.co.nz for further information on all aspects of forestry investment with Forest Enterprises.

Contact details

For more information, or if you have any questions about our investments, please contact our Customer Services Manager, Sean Roberts by phone 0800 746 346 (free within NZ) or +64 6 370 6360, or email sroberts@forestenterprises.co.nz



What will the investment cost?

Indicative Valuation Range

\$46,200 to \$47,600 for a 200 shareholding

An offer at the indicative value of \$46,200 represents an 8% tax paid compounded return per annum, while an offer at the indicative value of \$47,600 represents a 7.5% tax paid compounded return per annum over the investment term. These indicative values are for a holding of 200 shares in Millmore Forest and represent the net present value of the Cashflow Projection set out on page 11, assuming a marginal tax rate of 33 cents in the dollar.

The indicative valuation range is provided as a basis on which prospective investors may determine the amount they wish to tender as a purchase price. **Changes in the assumptions underlying the Cashflow Projection can have a material impact which may increase or decrease the return and Prospective Investors should take account of this reality when reflecting on an offer.**

In October 2012, investors voted in favour of a carbon lease proposal that has the effect of annual rental payments being received from New Zealand Carbon Leasing (No 1) Limited in exchange for the risks and rewards of participation under the Emissions Trading Scheme (ETS) being the responsibility of the carbon lease company. If there are future changes to the Climate Change Response Act that has the effect of removing the ETS then the carbon lease payments would cease, and the indicative value of the investment would reduce.

Projected Future Payments

Forestry investment is by nature a contributory investment where investors pay the funding required each year, in addition to the Initial Price.

Currently there are no projected future payments for one holding of 200 shares in Millmore Forest as the Calls are offset by the carbon lease income.

The annual Investor Administration Fee of \$40 per investor per investment per annum is payable regardless of the number of shares held in the Millmore Forest investment.

Investment Profit (Tax Loss)

Under current New Zealand tax law, resident investors are entitled to their proportionate share of any tax losses, and any profit (even if not distributed) will be subject to tax, at the investor's marginal tax rate. Forest Enterprises provides investors with a Tax Details Statement each year to assist investors with their tax returns.

As set out in the Cashflow Projection on page 11, as there are no future annual Call payments, the total projected tax savings for one holding of 200 shares in Millmore Forest are now minimal. Non-residents (such as Overseas Persons, see page 5) should check with their Tax Adviser.

Partners on the Register of Partners at the end of the Limited Partnership's (LP) 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.

Investment Changes

In the future, Forest Enterprises investors may vote on a number of key decisions, namely on the harvest management fee and any proposals for collective harvest by joint venture, and later, on second rotation investment options. **Changes that relate to harvesting timeframes will, as a consequence, impact the Internal Rate of Return which can be calculated using the purchase price, eventual investment return, and timeframe of when the investment return is provided.** Other than harvest timing, this Investment Report does not reflect any possible future changes to be voted upon by investors. Further details will be provided to investors at the appropriate time. Copies of any client communications to date may be requested.



What is the projected return?

Projected Return at Harvest

\$118,609 gross in years 2022-2033 for a 200 shareholding

The table below shows the projected gross return at harvest for one holding of 200 shares in Millmore Forest using 36-month average log prices to 31 December 2020 and if those log prices increase or decrease by 10%.

Expected Gross Return at Harvest for 200 Shares			
Year	Current price -10%	Current prices	Current Price +10%
2022	\$8,141	\$10,105	\$12,068
2023	\$10,814	\$13,894	\$16,973
2024	\$4,516	\$5,958	\$7,400
2025	\$2,192	\$2,913	\$3,365
2026	\$13,216	\$16,805	\$20,395
2027	\$11,789	\$15,147	\$18,505
2028	\$1,835	\$2,560	\$3,284
2029	\$2,336	\$3,060	\$3,784
2030	\$2,125	\$2,849	\$3,573
2031	\$13,025	\$16,658	\$20,291
2032	\$3,255	\$4,463	\$5,672
2033	\$22,988	\$24,197	\$25,406
Total	\$96,232	\$118,609	\$140,985

For the purpose of the projection, it is assumed that Millmore Forest will be harvested over 12 years. Please note that variations around this timing are likely as noted on page 3. Refer to page 8 for details on how the projected return at harvest has been calculated.

Harvest Tax Issues

Under current tax law, harvest proceeds will be paid to resident 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. Investors can choose to spread harvest income between the year of harvest and any one or more of the three preceding income years. In addition, investors will receive their share of the value of the land as a capital payment (non-taxable), when sold. Non-residents (such as Overseas Persons, see page 5) should check with their Tax Adviser.

As set out in the Cashflow Projection on page 11 the total projected net distribution at a tax rate of 33 cents in the dollar is \$77,652 for a holding of 200 shares.

Selling the Investment Before Harvest

Shares may be sold at any time before harvest, however the sale is deemed to be a disposal of the underlying assets (land and trees). The sale of trees is a taxable event, whereas the sale of land is not. Section HG 5 of the Income Tax Act 2007 creates a \$50,000 threshold (in any 12-month period), under which this taxation treatment does not apply.



How do I invest in Millmore Forest?

Tender Process

Forest Enterprises operates a 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. Shares in the Millmore Forest investment may be purchased by tender on this market for each holding of 200 shares. You cannot submit one tender for 400 shares because there are two different sellers.

An example Tender Form with Terms and conditions can be found on page 14. To submit a tender, complete the Tender Form and return it to Forest Enterprises (refer to Contact Details on page 2).

What you offer is up to you. The total purchase price you tender may be within, above or below the indicative valuation range on page 3. Prospective investors usually set their tendered purchase price based upon a projected investment rate they wish to achieve for the duration of the investment.

Who can invest?

An eligible Forest Enterprises investor is:

- an individual who has attained the age of 18 years, investing on their own or jointly
- or a company, a trust or a partnership
- and, may be a New Zealander or an overseas person

Overseas Persons

Overseas persons can invest provided no more than 25% of the investment is held by overseas persons. The Overseas Investment Act 2005 defines an **overseas person** as an individual who is neither a New Zealand citizen nor ordinarily resident in New Zealand. Any investor requires a New Zealand Inland Revenue number for tax purposes. Further information can be obtained by overseas persons from Forest Enterprises if relevant.

Verifying Customer Identity

As a Financial Services Provider, we are required under the New Zealand Anti-Money Laundering and Countering Financing of Terrorism Act 2009 to undertake due diligence on all new customers to prevent the criminal use of funds. This involves us:

- gathering information about customer identity and residential address, and
- verifying a customer's identity, to ensure the customer is who they say they are.

Investment structure

Limited Partnership

The Millmore Forest Investment is a Managed Investment Scheme (MIS) under the Financial Markets Conduct Act 2013 (FMC Act).

Limited Partnership and General Partner

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

Shares in Limited Partnership and shares in General Partner

Investors in the Millmore Forest Investment have limited partner shares in the Limited Partnership plus an equivalent number of company shares in the General Partner. The Limited Partnership Agreement requires that the 25,000 issued shares in the GP Company Partnership, are to be held pro rata to the number of Limited Partners shares held by the limited partners.

Managed Investment Scheme

The Millmore Forest Investment was registered as a MIS under the FMC Act on 29 November 2016.



Limited Partnership is Managed Investment Scheme

By consequence of FMC Act definition of “managed investment scheme”, the Limited Partnership is the registered MIS.

Deed 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

Limited Liability

As the Millmore Forest Investment is a Limited Partnership, the liability of investors (Limited Partners) is limited and they are only liable to the extent of their capital contributions (funds invested), plus any other obligations expressed in the Limited Partnership Agreement.

Who is involved in providing this investment for me?

Manager

Forest Enterprises Limited
5 Papawai Place
PO Box 128
Masterton

Banker

Bank of New Zealand
193-197 Queen Street
Masterton

Supervisor

Trustees Executors Limited
Level 6, 10 Customhouse
Quay
PO Box 3222
Wellington

Financial Auditor

Baker Tilly Staples Rodway Audit Ltd
Chartered Accountants
95 Customhouse Quay
PO Box 1208
Wellington

Forestry Auditor

Forme Consulting Group Ltd
173 Main Road
PO Box 56-030
Tawa
Wellington

About Forest Enterprises

Forest Enterprises is New Zealand’s original and most successful forestry investment manager. We are unique in providing both forest management and investment services under one roof. Our business is to create wealth naturally for private investors via New Zealand’s thriving pine plantation forestry.

Our 6,500 individual investors are mostly New Zealanders. On their behalf we manage a forest estate of more than 20,000 hectares in the North Island regions of Wairarapa, Hawkes Bay and Gisborne. Forest Enterprises is also the property manager of 15,000 hectares of FSC® Certified New Zealand forestry (FSC-C151650) owned by an international impact fund manager.

Since we started in 1972 in Masterton, New Zealand we have remained a locally owned and operated business. We have grown to 28 employees in total, including the company’s five shareholders — we are professionals in the fields of forestry, land management, accounting and finance, administration, commercial law and marketing.

Forest Enterprises is the business name of Forest Enterprises Growth Limited (FEG) and its subsidiary Forest Enterprises Limited (FEL). FEL is licensed under the Financial Markets Conduct Act 2013 to manage Managed Investment Schemes (excluding managed funds) which are primarily invested in forestry assets. FEG is contracted by FEL to coordinate and supervise all field activities relating to the land and trees comprising our managed investment estate, at the direction of FEL.



The Millmore Forest

Property Description

The Millmore Forest is irregular in shape and is bounded to the south in part by the Waimata River, plus the metalled Manders Road. The contour of the land varies from easy river flats to steeper ridges. Millmore Forest is surrounded by other forests managed by Forest Enterprises, providing potential economies of scale for all operations.

Climate

The climate is typical of the mild East Coast region with a relatively high annual rainfall of approximately 1400mm. The site index, a forestry term for the indication of growth potential, had been assessed in the original prospectus as being 32.5 metres. Following the yield update in 2007, the average site index is now assessed at 35.2 metres, resulting in an increase of timber volume.

Forest Development Status

Millmore Forest comprises a net-planted area of 250.9 hectares, established in 1995 and 1996 (see table below). Each shareholding of 200 shares represents 2.01 hectares of established forest on land owned by Investors.

Year of Plantings	Net Stocked Area	Areas are based upon aerial photography and mapping undertaken in May 2020. Mapping accuracy is normally + or – 3%. Updated photography and mapping is undertaken during the life of a forest and it is usual for the measured net stocked area to change with each update and the changes can be material.
1995	121.2 hectares	
1996	129.8 hectares	
Total	250.9 hectares	

GF 16 and 17 genetically improved treestocks were used at a target planting density of 1,000 stems per hectare. Pruning and thinning is being undertaken to achieve the maximum volume of clearwood (knot free wood) at harvest, coupled with good tree size and restriction of branch size in the unpruned zone (above 6.5 metres).

Insurance

Millmore Forest is insured until harvest under a special purpose forest insurance scheme, designed to cover key forest risks, including losses from fire, wind, volcanic eruption plus fire-fighting, re-establishment, infrastructure replacement and claim preparation costs. There is a policy excess of \$225,000.

Manager's Report

The Manager's Report summarises forest activity for the previous and coming year plus other material management issues and is included in the Financial Report. Relevant extracts from the latest Manager's Report for Millmore Forest are included on page 9.

ETS Carbon Lease

Millmore Forest LP has entered into a business arrangement with a company called New Zealand Forest Leasing Ltd (NZFL), resulting in the carbon in the Post-1989 areas of the forest being leased to New Zealand Carbon Leasing (No 1) Limited, a subsidiary of NZFL, in return for an annual rental.

New Zealand Carbon Leasing (No 1) Limited is the ETS participant. This company, and not Millmore Forest LP, has the ETS liability at harvest. A legal opinion to this effect is available on request.



How has the projected return at harvest been calculated?

The Stumpage table has been updated to 36-month average log prices to 31 December 2020 and used LiDAR to calculate the Grades and Projected Recoverable Volume. This assumption will be contained in the 31 December 2020 Financial Report.

Net Stumpage

The return at harvest is expressed as the net stumpage per hectare. For Millmore Forest this is currently projected to be \$53,506 per hectare (ha) calculated as follows –

Log Type	Projected Recoverable Volume (m ³ /ha)	Percentage	FE Price at Point of Sale (\$/m ³)	Total Production Costs (\$/m ³)	Net Return Stumpage (\$/m ³)	Contribution to Stumpage (\$/ ha)
Export						
P40	92.2	12%	\$178.50	\$73.36	\$105.14	\$9,698
P35	74.4	9%	\$178.05	\$73.36	\$104.69	\$7,791
P30	7.6	1%	\$145.50	\$73.36	\$72.14	\$548
A	443.0	56%	\$136.95	\$73.36	\$63.59	\$28,168
K	88.3	11%	\$122.25	\$73.36	\$48.89	\$4,319
KI	59.0	7%	\$112.00	\$73.36	\$38.64	\$2,281
KIS	25.5	3%	\$100.90	\$73.36	\$27.54	\$702
Totals	790.1	100%				\$53,506

Harvest Assumptions

The calculated harvest return is a projection based upon a number of critical assumptions including -

- The log volumes and grades are based on a LiDAR inventory carried out in 2020. LiDAR provides a more accurate inventory measurement.
- A sales scenario based the Port of Gisborne as the point-of-sale has been used and therefore assumes demand will exist at harvest time at this destination. Other scenarios will produce different stumpage outcomes.
- Once the Partnership's harvest is budgeted to commence within 12 months of reporting date, the Forest Valuation for this 12-month period will be based on Forest Enterprises' 12-month average log prices prior to reporting date. The Forest Valuation post this 12-month period following reporting date will be based on Forest Enterprises' 36-month average log prices prior to reporting date. This change in assumption has no impact on the Forest Valuation as this Partnership is not budgeted to commence harvest within 12 months of reporting date.
- Harvesting and Transportation costs are based upon the costs currently being paid by Forest Enterprises for current harvesting. These costs reflect the characteristics of the forests currently being harvested, which may differ from the characteristics of this forest when it is harvested. The financial impact of the relevant characteristics of this forest are unable to be quantified at this time.
- The cost of the roading network required at harvest is substantial. An estimate has been made and represents \$9.07/m³ of the Total Production Costs (\$/m³) figure shown in the Stumpage calculation above.

Important

Every effort has been made to arrive at reasonable figures based upon Forest Enterprises 49 years' forestry knowledge, including our ongoing harvesting experience. Investors should be aware that the projections provided will vary over time depending upon many factors and the resulting changes could be material.



Manager's Report for Millmore Forest

Excerpts from the unaudited Financial Report for the year ended 31 December 2020.

Forest Activity for the Year

The The LIDAR (light detection and ranging) forest crop estimation program has been completed. This data is now used to estimate the yields and grades for the Forest Crop Valuation. The overall change is positive, and this change in itself, has increased the value of the Forest by 2.3%.

Forest Activity for the Coming Year

In the second half of 2021 there will be communications in relation to the proposed Collective Harvest and Second Rotation with Woodfield, Broadview, and Springhill Forest Investment's. As part of the communication process, Forest Enterprises will provide Investors with the information they need to make their decision to vote on the proposal.

Domestic customers are increasingly requiring that logs supplied are from Forest Stewardship Council (FSC®) certified forests. The FSC® 'tick tree' logo on a forest product is assurance that it is sourced from a certified forest that meets the highest environmental and social standards. Forest Enterprises forests meet these standards, and we are seeking certification for the estate.

Changes to Harvest Timing

In the 2019 Managers Report we highlighted changes to the harvest timing arising from the Carbon Lease arrangements voted on by Investors in 2012, requiring trees harvested to be maintained at an average tree age of 30.5 years. We looked at resources and infrastructure, but at that time it could not be done. Over the last year we have been able to look at the harvesting operating environment in the Gisborne region.

It has become clear that harvesting during the period known as the 'wall of wood' will have a significant impact on harvest timeframes. These factors will impact on all Forest Enterprises Managed Forests and other forests harvesting in the Gisborne Region over the next 10 years. The key factors are:

- Port capacity limiting the volume of logs able to be shipped.
- Public road capacity limiting the transportation of logs to the Port.
- Availability of roading, harvesting, and cartage resources.

The following points are also taken into consideration:

- Forest Enterprises, has one of the largest harvesting operations in the region has significant access to harvesting infrastructure.
- Forest Enterprises has a duty to the investments we manage to allocate the limited harvesting resources and Port access on an equitable basis.

These factors which impact on all Forest Enterprises investments in Gisborne means that all our Gisborne harvest programs will need to occur over a longer period. This will ensure all Investments receive a fair and timely share of harvesting activity. At this stage we have now estimated most harvest programs to be over a period of 12 years.

Please note, if the Port of Gisborne adds another berth as is proposed then this may facilitate a shortening of the harvest program subject to the other issues being resolved. At this stage, given the harvest capacity limitations do not appear to have a clear path to resolution we have commenced our planning based on the current operating environment.

The harvest timing has been based on the timing of the harvest for the proposed collective harvest group, it is important to note that this timing would be similar to the harvest of Millmore as a standalone forest. However, the harvest timeframe as a standalone harvest although likely to be similar in length will have long periods with no harvest activity followed by short periods of activity than modelled in these financial statements.

The projected cost savings from sharing roading and resources as part of a collective harvest have not been factored into the current Forest Valuation and return. More information and updated financial information, including the projected cost savings, will be provided to investors during the second half of 2021 with the proposed collective harvest vote.

Please note, this harvest timing is indicative only and will change once a clearer picture of the infrastructure investment in the Gisborne area is known, along with the outcome of the collective harvest vote, and the detailed harvest planning completed.

If Investors wish to sell the forest mid harvest and exit the Investment, there is the possibility of selling the land with standing timber. Forest Enterprises will provide more details of this option in due course.



General Notes to the Cashflow Projection

Taken from the **unaudited** Financial Report for the year ended 31 December 2020.

The base Cashflow Projection is updated yearly as part of the annual reporting process with the first year's expenditure being the budget for the current year. Regular changes are made to the harvest revenue projection between Annual Reports in accordance with the harvest assumptions on page 8. Generally, changes between reporting periods are only made if separately identifiable and material or to reflect their timing relative to the date of the Investment Report.

The Cashflow Projection reflects our estimate of the cost of the work to be done or services provided, year-by-year through to harvest, generally based upon the work program and prices current at the time of the Annual Report review. Actual costs and timing will vary from the projections as a consequence of changes over time to the work program and the prices; these changes may be material.

Other assumptions (in addition to the harvest assumptions set out on page 8) include —

- It is assumed that the land will be sold in the final harvest year at the current rating valuation.
- No provision is made for the replanting of the areas harvested, other than for trees on the property at the time of purchase. Practically this will occur the winter following harvest and the replanted tree crop sold at the conclusion of harvest (in addition to the land). This will impact upon the timing of the distribution of the harvest revenue.
- It is assumed that Carbon Lease payments are received from the participant company under the Emissions Trading Scheme (ETS). Changes to harvest timing will impact on the duration of the payments.
- The Cashflow opposite includes the annual Investor Administration Fee of \$40 and assumes each investor owns 200 shares ie the \$5,000 figure per annum is subject to a credit or debit adjustment for those investors who own more or less than 200 shares.

Due to harvest practicalities, it is likely that Distributions will be spread over several years.



Trees showing good growth and form

March 2020



Note: the reference to 'Each Investment Unit' refers to 200 shares.

Page 11 of 20

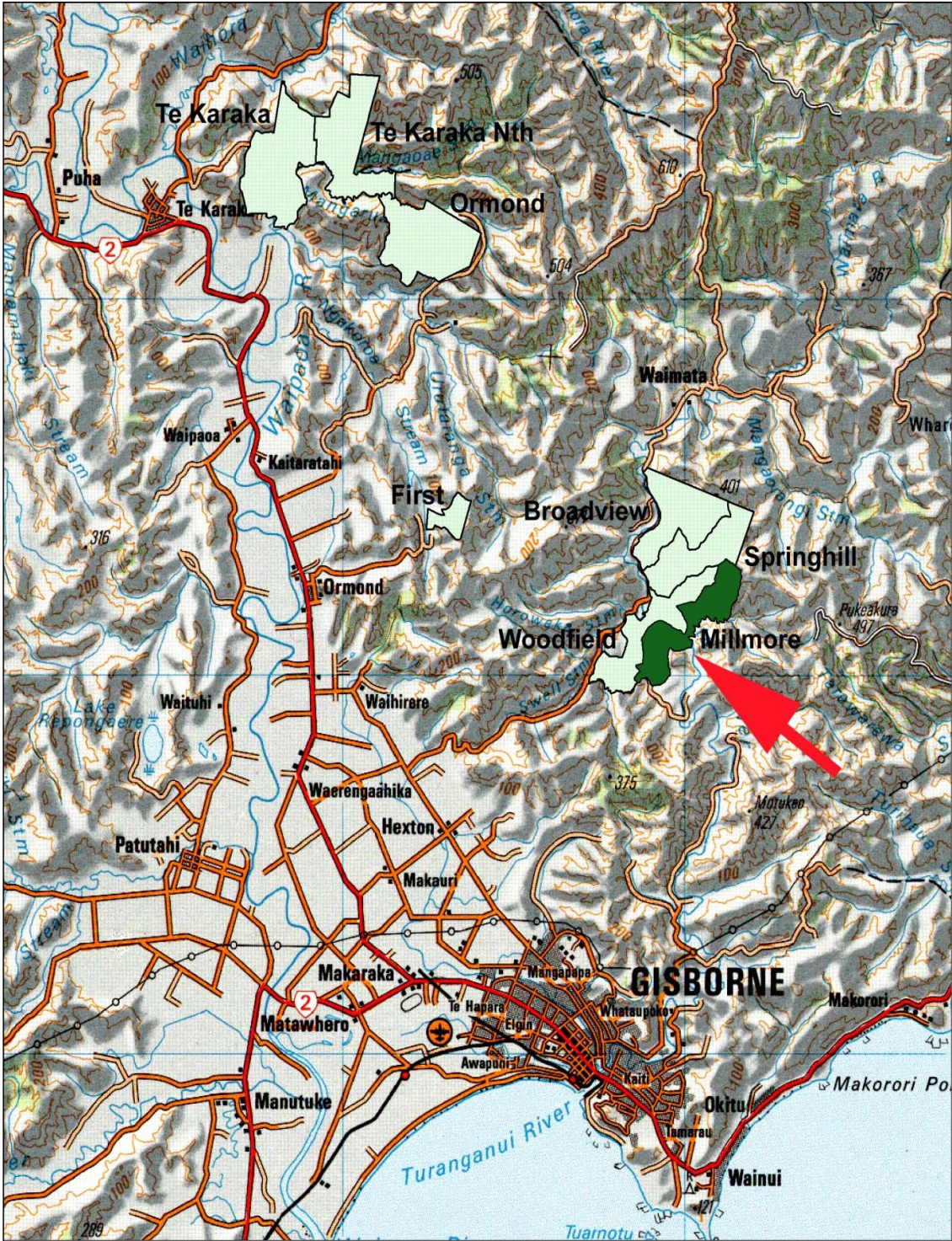
Statement of Financial Position for Millmore Forest

Taken from the unaudited Financial Report for the year ended 31 December 2020.

2019 \$		Note	\$	\$	2020 \$
	CURRENT ASSETS				
	Funds on Hand				
17,428	Cash and Cash Equivalent		6,546		
17,428	Total Funds on Hand			6,546	
	Other Current Assets				
34,188	Sundry Debtors		34,666		
1,301	GST Receivable		1,037		
24	Resident Withholding Tax Recoverable		9		
96	Expenses Paid In Advance		0		
165	Calls in Arrears		73		
35,774	Total Other Current Assets			35,786	
53,202	TOTAL CURRENT ASSETS			42,332	
	LESS CURRENT LIABILITIES				
5,037	Trade and Other Payables		3,322		
4,600	Income Received In Advance		0		
301	Calls in Advance		1,066		
9,938	TOTAL CURRENT LIABILITIES			4,388	
43,264	NET CURRENT ASSETS				37,944
	PROPERTY, PLANT & EQUIPMENT				
	Land Preparation				
39,716	Land Preparation		39,716		
(31,832)	Less Accumulated Depreciation		(32,329)		
7,884	Total Land Preparation			7,387	
	Non Depreciable Assets				
363,136	Land at Cost		363,136		
363,136	Total Non Depreciable Assets			363,136	
371,020	TOTAL PROPERTY, PLANT & EQUIPMENT	1		370,523	
	Biological Assets				
8,256,366	Forest Crop Value	2	8,049,144		
8,256,366	Total Biological Assets			8,049,144	
8,627,386	TOTAL LONG TERM ASSETS				8,419,667
8,670,650	NET ASSETS				8,457,611
	EQUITY				
2,098,725	Investment by Limited Partners		2,103,325		
6,571,925	Retained Earnings		6,354,286		
8,670,650	NET EQUITY				8,457,611



Detailed location map of Millmore Forest



Tender Form

This form establishes an offer by tender to purchase shares from an existing investor in a Forest Enterprises forestry investment, as detailed below.

Tenderer Details

Name: _____

Address: _____

Phone: (Day) _____ (Mobile) _____

Email: _____

Tenderer intends to invest as: (tick one) Individual(s) ☐ Trust ☐ Company ☐ Partnership ☐

Offer Details

Investment Name: _____

Number of Shares: _____ Purchase Price: \$ _____ (Total in figures)

_____ (Total in words)

PLUS the Forest Enterprises Ltd (FEL) Transfer Fee of \$150.00, payable if my/our tender is successful.

By submitting a completed and signed Tender, the Tenderer acknowledges and agrees to the following:

- To pay a non-refundable Transfer Fee of \$150 per investment for the number of shares purchased. Payment is to be included with the payment for the shares.
- The Tenderer has full legal capacity (has attained the age of 18 years and is competent to manage their own affairs in relation to property), and authority (if acting for the Buyer of the shares), to submit this tender and enter into a binding contract to buy the shares.
- The documentation to be completed in respect of any resulting sale will take into account the Land Value and the Value of Standing Timber pursuant to Section HG5 of the Income Tax Act 2007. In the event that the Value of Standing Timber exceeds the \$50,000 threshold, or the New Zealand Inland Revenue determines the threshold is exceeded, the financial consequences will be the sole responsibility of the Seller. As a consequence, the successful Buyer will then receive a Cost of Timber (as that is defined in section DP 10 of the Income Tax Act 2007) in respect of the Standing Timber purchased.
- Should the offer be accepted by the Seller, the consequential contract will be with the Seller, and whilst FEL will co-ordinate and facilitate the process, FEL has no responsibility or liability to the Tenderer should the Seller default in their obligations to complete the resulting transfer, other than to reimburse the Purchase Price and Transfer Fee if paid. Payment is expected within 5 working days of the offer being accepted.
- Should the offer be accepted, the documentation necessary to settle the transfer of the shares will be completed and returned in full.
- This offer is irrevocable until acceptance by the Seller, or for ten (10) working days following the receipt by FEL of the offer whichever is sooner.
- That the investment is contributory in nature and therefore may require Investor payments (referred to as Calls) between the purchase date and harvest. Refer to the Investment Report (Cashflow Projection) for further details.

Tenderer Full Name: _____

Tenderer Signature: _____ Date: / /

Return your completed Tender Form to Customer Services Manager Sean Roberts at sroberts@forestenterprises.co.nz



5 Papawai Place, Masterton 5810 | PO Box 128, Masterton 5840, New Zealand
Office +64 6 370 6360 | Fax +64 6 370 6369 | www.forestenterprises.co.nz

Forest Enterprises is the business name of Forest Enterprises Growth Limited and its subsidiary Forest Enterprises Limited. Forest Enterprises Limited is licensed to manage Managed Investment Schemes (excluding managed funds) which are primarily invested in forestry assets.

Example Deed of Assignment and Power of Attorney

DEED OF ASSIGNMENT AND POWER OF ATTORNEY	
THIS DEED is executed the _____ day of _____ 2018 <i>[To be completed by Forest Enterprises Ltd]</i>	
Parties	
1. [Name of Assignor(s)]	("the Assignor(s)")
2. [Name of Assignee(s)]	("the First Assignee(s)")
3. [Investment Name] Forest LP	("the Limited Partnership")
Particulars of Managed Investment Scheme	
Scheme Name:	[Investment Name] Forest Investment ("the Investment")
Scheme Number:	[Scheme Number]
General Partner:	[Investment Name] Forest GP Limited ("the General Partner")
Manager:	Forest Enterprises Limited ("the Manager")
Governing Documents:	Deed of Scheme Management dated [date]. Limited Partnership Agreement dated [date]. Constitution of the General Partner ("the Constitution")
Particulars of Securities Transferred	
Limited Partnership:	Shares in the Limited Partnership ("the LP Shares")
Number of LP Shares:	[Number of LP Shares]
General Partner:	Shares in the General Partner ("the GP Shares")
Number of GP Shares:	[Number of GP Shares]
Consideration for LP Shares:	[Consideration for LP Shares]
Land Value:	[Land value]
Value of Standing Timber	[Share Consideration less Land Value]
Assignee Overseas Person:	Yes / No
Effective Date:	<i>[To be completed by Forest Enterprises Ltd]</i>



Background

1. The Assignor(s) are the owner of the LP Shares and the GP Shares in the Investment.
2. On the Specific Terms and the General Terms and Conditions of this Deed and for the consideration specified above, the Assignor transfers to the Assignee the LP Shares and the GP Shares. On the Effective Date, the terms of the Governing Documents registered on the Disclose Register and the terms of the Constitution registered in the Companies Office will bind the Assignee.
3. The Assignee(s) wish to grant to Trustees Executors Limited the limited Powers of Attorney which are a condition in the Governing Documents of being a limited partner in the Limited Partnership, and a condition in the Constitution of being a shareholder in the General Partner.

Specific Terms

4. **Tax Treatment if Standing Timber Consideration is >\$50,000:** The Assignor confirms that the consideration paid by the Assignee under this Deed is taxable income because the safe harbour under section HG 5 of the Income Tax Act 2007 does not apply. Therefore, the Assignee is entitled to a 'cost of timber' deduction in terms of section DP 10 of the Income Tax Act. The Assignor and Assignee agree that:
 - 4.1 The Assignor will obtain from the Manager details of the value of the standing timber component of this assignment.
 - 4.2 The Assignor will meet the resulting taxation liability.
 - 4.3 The Assignee will be entitled to a 'cost of timber' of the standing timber component of this transaction without additional payment to the Assignor. The Manager will advise the Assignee the quantum of the Assignee's 'cost of timber' entitlement which will be the value of the standing timber component of this assignment advised to the Assignor in subclause 4.1 of this clause.
 - 4.4 In the event that IRD determines a different value of the standing timber component of this assignment to that obtained from the Manager, the Assignor will provide a copy of IRD's determination to the Manager who will then advise the Assignee of the amended quantum of the 'cost of timber'.
5. **Tax Treatment if Standing Timber Consideration < \$50,000:** The Assignor confirms that the consideration paid by the Assignee under this Deed is excluded income under section HG 5 of the Income Tax Act 2007 and therefore the Assignee is not entitled to a 'cost of timber' deduction in terms of section DP 10 of the Income Tax Act. The Assignee acknowledges this taxation status of the assignment.
6. **IRD Determination:** In the event that the New Zealand Inland Revenue Department ("IRD") determines otherwise:
 - 6.1 The Assignor will advise the Manager of the change in status of this transaction and obtain from the Manager details of the value of the standing timber component of this assignment.
 - 6.2 The Assignor will meet the resulting taxation liability.
 - 6.3 The Assignee will be entitled to a 'cost of timber' of the standing timber component of this transaction without additional payment to the Assignor. The Manager will advise the Assignee the quantum of the Assignee's 'cost of timber' entitlement which will be the value of the standing timber component of this assignment advised to the Assignor by the Manager.
 - 6.4 In the event that IRD determines a different value of the standing timber component of this assignment to that obtained from the Manager, the Assignor will provide a copy of IRD's determination to the Manager who will then advise the Assignee of the amended quantum of the 'cost of timber'.

Signed by the Assignor

Signed by:	In the presence of:	
Assignor Full Name: [Name of Assignor]	Witness Signature:	
Assignor Signature:	Witness Full Name:	
	Witness Town/City of Residence:	Witness Occupation:



Signed by the Assignee

Signed by:	In the presence of:	
Assignee Full Name: [Name of Assignee]	Witness Signature:	
Assignee Signature:	Witness Full Name:	
	Witness Town/City of Residence:	Witness Occupation:

Signed by the Limited Partnership

Signed by [Investment Name] Forest GP Limited on behalf of "[Investment Name]" Forest LP:

Director Name: Graeme Mark TINDALL	Director Signature:
Director Name: Gordon Brent WONG	Director Signature:

GENERAL TERMS AND CONDITIONS

- Execution in Counterpart:** This Deed may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all counterparts together shall constitute a single agreement.
- Definition of Independent Trustee:** For the purposes of the Governing Documents and this Deed, a person is an independent trustee if that person has no interest in the assets of the trust other than as a trustee. For the purposes of clarification (but without limitation) a person is not an independent trustee and has an interest in the assets of the trust if that person is a beneficiary or discretionary beneficiary in relation to the trust. All trustees acknowledge the need to immediately inform the Manager of changes to trustees, including appointments and retirements.
- Same Definitions in Governing Documents:** All terms defined in the Governing Documents bear the same meaning when used in this Deed unless the context requires otherwise.
- Interpretation:** Words importing the singular number include the plural and vice versa and where obligations bind more than one person those obligations bind those persons jointly and severally.
- Effective Date observed and performed all obligations required to be observed or performed under the Governing Documents in respect of the LP Shares and under the Constitution in respect of the GP Shares.**
- Assignee's LP Share Obligations from Effective Date:** The Assignee covenants with the Limited Partnership and the other limited partners in the Limited Partnership that from the Effective Date the Assignee will observe and perform all obligations contained or implied in the Governing Documents and will keep indemnified the other limited partners in respect of any obligation required of the Assignee with respect to the LP Shares and otherwise in terms of the Governing Documents.
- Assignee's GP Share Obligations from Effective Date:** The Assignee covenants with the General Partner and the other shareholders in the General Partner that from the Effective Date the Assignee will observe and perform all obligations contained or implied in the Constitution of the General Partner with respect to the GP Shares held by the Assignee.
- Assignee must not be a Minor:** The Assignee covenants with the Limited Partnership that for the purposes of the enforceability of this Deed the Assignee is not under the age of 18 years.
- Overseas Person:** The Assignee acknowledges that if the Assignee is an overseas person this Deed shall be of no force or effect unless the General Partner in its absolute discretion consents in writing to the Assignee holding the LP Shares. If the Assignee is not an overseas person on the Effective Date but subsequently becomes an overseas person while being a Limited Partner, the Assignee must immediately give notice of that fact to the General Partner and may be required to transfer all or some of the LP Shares and GP Shares to a person who is not an overseas person at the written direction of the Manager.
- No Encumbrances:** The Assignor warrants that the LP Shares and the GP Shares are unencumbered. The Assignee warrants the LP Shares and GP Shares will remain unencumbered.
- Instruction to Register Transfer:** The Assignee instructs the Manager to record the vesting of the LP Shares in the name of the Assignee (together with any joint holders) in the register of limited partners in the Limited Partnership maintained by the

Assignment and Covenants

- Transfer of LP Shares:** On settlement of the assignment, all rights and interest in the LP Shares are vested in the Assignee effective from the Effective Date.
- Transfer of GP Shares:** On settlement of the assignment, effective from the Effective Date all rights and interest in the GP Shares are vested in the Assignee in accordance with the requirements under the Governing Documents and the Constitution.
- Tax Loss/Tax Profit:** Any tax loss incurred by the Assignor or tax profit attributable to the Assignor in the Investment in the financial year in which this assignment takes place will at the end of the financial year be treated as a tax loss incurred by the Assignee or a tax profit attributable to the Assignee, as the case may be, despite the Assignee not being a limited partner at the time the tax loss was incurred or the tax profit was made.
- Assignor's Obligations to Effective Date:** The Assignor covenants with the Assignee that the Assignor has up to the



Manager and to notify the Registrar of the change in terms of Section 59 of the Limited Partnerships Act 2008. The Assignee also instructs the Manager to record the vesting of the GP Shares to the Assignee in the register of shareholders maintained by the Manager.

Limitation of Liability of Independent Trustees

15. **Limitation of Liability:** Any person who is an independent trustee of a trust executes this Deed in their capacity as an independent trustee so that their liability will not be an unlimited personal liability but will be restricted to the funds and assets of that trust in their hands or under their control at the time demand is made on them for payment, performance or indemnity under this Deed or the Governing Documents.

Applicable Laws

16. **Compliance:** This assignment is subject to the obligation of the Assignee to provide the Manager with any documentation and information the Manager may request from time to time in order for the Manager to undertake any action required to comply with all laws, rules, codes, regulations and other legal requirements in force, including the Limited Partnerships Act 2008, the Financial Markets Conduct Act 2013 and the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 ("Applicable Laws"). The Assignee also agrees to such documentation and information provided to the Manager being disclosed to any person to enable it to be reported and used in compliance with the relevant Applicable Laws.

Privacy Act 1993

17. **Collection and Use of Personal Information:** The Limited Partnership, the General Partner and the Manager may collect and use any personal information about the Assignee that is required to comply with any legislation or requirements of law and reasonably necessary for the business of the Limited Partnership. The name and address of the Assignee and the number of LP Shares and GP Shares held by the Assignee may be disclosed in a list by the Manager to other limited partners in the Limited Partnership but subject to clause 16, no other personal information about the Assignee that is not already in the public domain may be disclosed to any other person without the Assignee's consent.
18. **Access to and Correction of Personal Information:** The Assignee has rights of access to and correction of his or her personal information held by the Limited Partnership, the General Partner or the Manager pursuant to the Privacy Act 1993.

POWER OF ATTORNEY

19. **Appointment of Attorney:** The Assignee irrevocably appoints Trustees Executors Limited or any corporate trustee company that succeeds Trustees Executors Limited as the supervisor over the investment ("the Attorney") to be the Assignee's Attorney with the limited powers given by this Deed.
20. **Powers:** The Attorney may in its own name and as the Assignee's Attorney do or perform any of the acts set out in paragraphs A and B below and will have sole discretion as to decision making with respect to this Power of Attorney.
21. **Binding and Non-Revocable:** The Assignee 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.
22. **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.

23.

A. Power of Attorney under 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 limited partners as proxy for all limited partners 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 all limited partners who are entitled to attend and vote at any limited partnership meeting but who do not attend the meeting any irregularity in the notice of meeting but only if the irregularity is of a technical or non-material nature;
- (c) 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;
- (d) To approve on behalf of the limited partners an amendment to the Governing Documents if in the opinion of the Manager the amendment is made to correct a manifest error or is of a formal or technical nature or is convenient and is not prejudicial to the general interests of the Limited Partnership or the limited partners, and the amendment is subject to prior approval by the Attorney; and
- (e) To execute a deed of modification on behalf of the limited partners to record any amendment approved or permitted in accordance with the Governing Documents.

B. Power of Attorney under the Constitution

The Attorney will have the following limited powers:

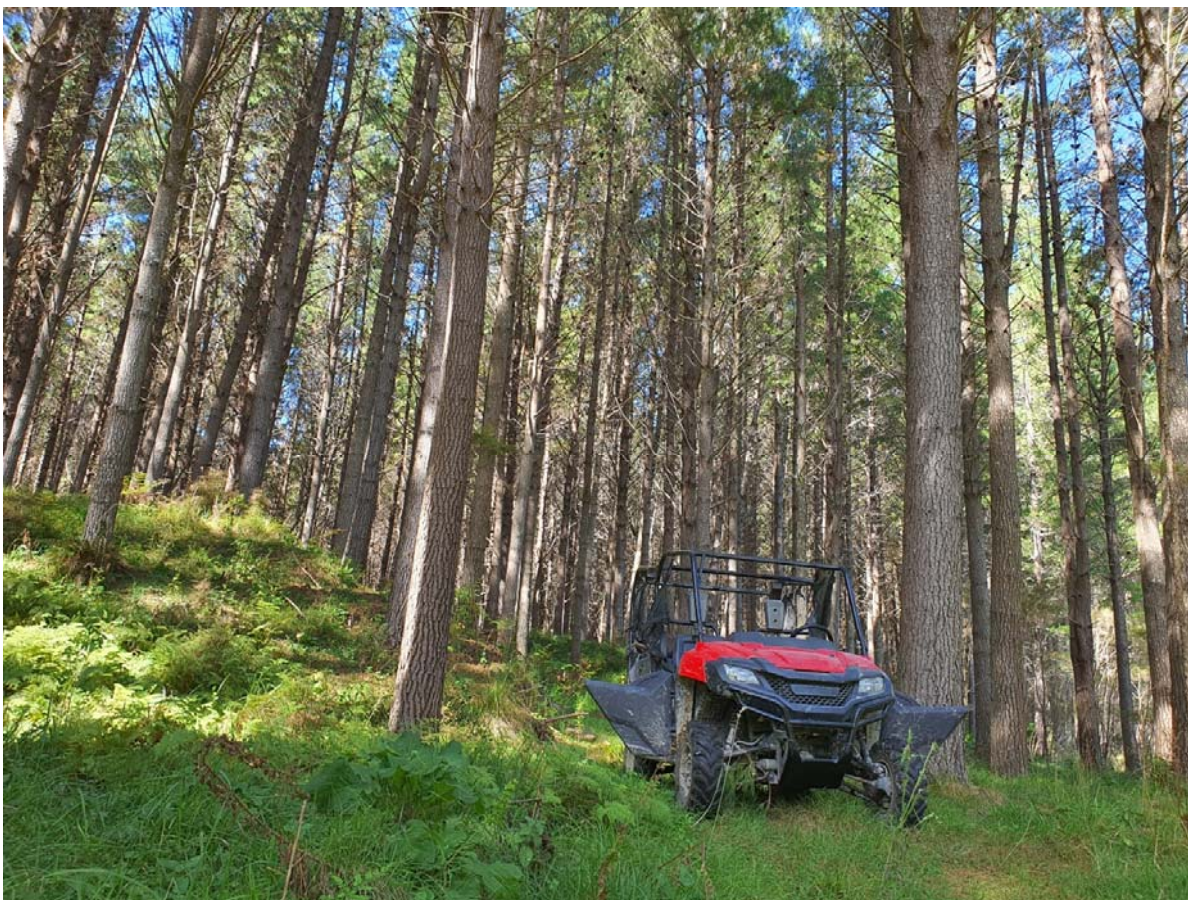
- (a) To pass a written resolution in lieu of annual meeting as provided for in the Constitution for the purposes of:
 - (i) any resolution to receive, approve and adopt any directors' statement, directors' report, or financial statements within the meaning of section 6 of the Financial Reporting Act 2013;
 - (ii) any resolution regarding appointment of auditors to the General Partner under section 207(3)(b) of the Companies Act 1993;
- (b) To vote on any resolution appointing a director of the General Partners;
- (c) To vote on any resolution accepting a director's resignation or removing a director from office;
- (d) To appoint a director present at any meeting of shareholders as proxy for any shareholders not present at the meeting who have not appointed a proxy for the limited purpose of satisfying the common law requirement that a meeting (other than a resolution in lieu of meeting under paragraph (g) below) cannot be held without at least two shareholders present in person or proxy;
- (e) To approve an amendment of a resolution set out in a notice of meeting provided that the amendment is:
 - (i) the correction of an error; or
 - (ii) qualification of the application or restriction of the effect of the resolution on shareholders; or
 - (iii) for clarification and in the opinion of the Attorney consistent with the clear intent of the resolution.
- (f) To waive on behalf of all shareholders who are entitled to attend and vote at any shareholder meeting but who do not attend the meeting any irregularity in the notice of meeting but only if the irregularity is of a technical or non-material nature; and
- (g) To sign any resolution made in lieu of a meeting of shareholders in accordance with section 122 of the Companies Act in respect of which the Attorney has the limited powers to vote under paragraphs (b) and (c) above and to pass.





Investors at forest visit

November 2019



Forest audit

February 2021





Love our forests

Our children do

www.nzwood.co.nz



Billboard from the NZ Wood 2015/2016 national campaign *Love our forests* – www.nzwood.co.nz

