

Portview North Forest Investment

Investment Report

23 March 2025



A holding of 200 shares in the Portview North forest investment available for purchase by tender, facilitated by Forest Enterprises.	
Indicative Value	\$22,755
Projected Distributions	\$49,374
Forest Location	49km southwest of Gisborne

This Investment Report provides an overview of the Portview North Forest Enterprises investment, its structure, the asset, and projected valuations and returns. Forest Enterprises makes every effort to arrive at reasonable calculations based on our 50+ years' forestry knowledge, including our ongoing harvesting experience.

Investors should be aware that the projections and timings provided may vary over time depending on many factors, and the resulting changes could be material.

All assumptions are outlined in this report or the latest annual Financial Report available from the Companies Office Disclose Register at www.companiesoffice.govt.nz/disclose

Visit our website at forestenterprises.co.nz for further information about investing in forestry with Forest Enterprises, including Frequently Asked Questions.

Feel free to contact us for more information or if you have any questions about our investments. Copies of relevant investor communications to date relating to this investment are available on request.

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Key investment details

Shares available to purchase	One parcel of 200 shares in Portview North Forest Investment Only bids for the entire shareholding will be accepted.
Indicative Value	\$22,755 at 8% IRR* * tax paid compounded return per annum over the investment term
Projected Distributions	\$49,374
Projected Harvest Timing	Until 2031
Projected Future Investor Contributions	Ongoing Calls, \$0 per annum
Investment Structure	Registered Managed Investment Scheme (MIS) SCH10939 <ul style="list-style-type: none"> Portview North Forest LP (Limited Partnership) 25,000 LP shares Portview North Forest GP Limited (General Partner) 25,000 GP shares
Investment Disclosure	Companies Office Disclose Register www.companiesoffice.govt.nz/disclose <i>Search Schemes</i> by Scheme Portview North or Scheme Number (above)

Parties involved in providing the investment

Manager	Forest Enterprises Limited (FSP37784)	5 Papawai Place, PO Box 128, Masterton
Supervisor	Trustees Executors Limited	70 Boulcott St, PO Box 3222, Wellington
Financial Auditor	Grant Thornton	Level 15 Grant Thornton House 215 Lambton Quay, Wellington
Forest Auditor	Forme Consulting Group Limited	173 Main Road, PO Box 56-030, Tawa
Banker	BNZ	193-197 Queen Street, Masterton

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 7,300 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, Hawke's Bay and Gisborne. To date, 52 of our managed forestry investments have achieved FSC® certification for responsible forest management (FSC-C168647).

Since we started in 1972 in Masterton, New Zealand we have remained a locally owned and operated business. We have 25 employees in total, including the company's six 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.



Assumptions in this report

- All values and amounts expressed in this report are based on a holding of 200 shares, unless stated otherwise.
- The Indicative Value and the Projected Harvest Return have been calculated using the assumptions set out in this report.
- Changes to the assumptions can have a material effect on the figures quoted in this report.
- This Investment Report should be read in conjunction with the investment's latest annual investment reports.

These and other key disclosure documents are available from the Companies Office Disclose Register at www.companiesoffice.govt.nz/disclose ('Search Schemes' by *Scheme Portview North* or *Scheme Number*):

31 March 2024 Financial Report	Includes reports from the Manager, financial auditor and forest auditor, the financial statements, insurance details, and updated budget, investment valuation and projections.
31 March 2024 Annual Report	Prescribed statutory document which includes the fees, details and description of the Scheme.
Deed of Scheme Management (DSM)	The Deed of Scheme Management is the pre-eminent Governing Document of the MIS. It 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: <ul style="list-style-type: none">• 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 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.

How to purchase the shares

The tender process

Forest Enterprises operates a secondary market for the sale and purchase of shares in our forestry investments. This is to enable our existing clients to liquidate their investment and to allow prospective investors to buy into established Forest Enterprises forests. We facilitate a tender process matching willing buyer with willing seller.

To submit an offer, complete and return to us a **Tender Form**. Email is the most efficient option.

[Click here to download a Tender Form from our website. It includes the Terms and Conditions of your offer.](#)

What you offer is up to you. The total purchase price you offer may be within, above or below the cost or the discounted valuation range previously noted. Prospective investors usually set the value of their offer based on a projected rate of return they wish to achieve over the duration of the investment.

Should your offer be accepted, you and the seller will be required to co-sign a **Deed of Assignment and Power of Attorney** to transfer the ownership of the shares.

[Click here to view an Example Deed of Assignment and Power of Attorney. This Deed outlines the terms of share ownership.](#)



Who can invest?

An eligible Forest Enterprises investor is:

- an individual aged 18 years or over, investing on their own or jointly, or
- a company, a trust or a partnership, and
- may be a New Zealander or an overseas person
- who holds a New Zealand Inland Revenue Number (IRD number) for tax purposes regardless of residency status

Overseas persons can invest

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. Contact Forest Enterprises for more information if this is relevant to you.

Verifying new 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 requires us to:

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

What will the investment cost?

Indicative valuation - \$22,755 for a 200 -share holding

An offer at the indicative value of \$22,755 represents an 8% tax paid compounded projected remaining return per annum over the investment term.

The indicative valuation is provided as a basis upon 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. **We are shortly to commence the preparation of the 31 March 2025 financial statements for audit. At the same time we will update the projected remaining cashflow, and consequently this will alter the indicative valuation.**

Prospective Investors should therefore take account of this when reflecting on what offer to make. Please see page 7 for the significant assumptions that would impact on the investment return.

Distributions

Any distributions paid to the seller after the date of this report will be adjusted for in the final settlement price payable by the buyer.

Tax and Selling shares before harvest

Tax is complicated and different for Investors depending on their individual circumstances. We recommend all Investors consult with their Tax Advisor.

Shares can 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 for the value of the tree crop (in any 12-month period), under which this taxation treatment does not apply.



What is the projected return?

The table below shows the Taxable Income per unit in the Cashflow Projection which accounts for depreciation on roading as a taxable deduction over the forecast period which the Cashflow per unit excludes.

Based on the 31 March 2024 projected cashflow the total remaining cash distributions (pre-tax return) are estimated at \$49,374 and the post-tax income will depend on the buyer's marginal tax rate. A marginal tax of 0% will return a post-tax income of \$49,374, a marginal tax rate of 17.5% will return a post-tax income of \$41,231 and at 33% will return a post-tax income of \$43,491.

Projected Pre-Tax and Post-Tax Return for 200 Shares				
	Distributions (Untaxed)	Taxable Income	Post-Tax Income at a marginal tax rate of 17.5%	Post-Tax Income at a marginal tax rate of 33%
2026	2,950	4,597	2,145	1,433
2027	2,206	3,342	1,621	1,103
2028	2,356	3,229	1,791	1,291
2029	5,123	7,351	3,837	2,697
2030	5,581	7,982	4,184	2,947
2031	31,158	20,028	27,653	34,020
Total	49,374	46,529	41,231	43,491
Post Tax NPV at 8% Discount Rate			27,892	22,755

Tax has a significant impact on the income from this investment. The allowable deductions to date have been claimed by the previous owner of these shares and almost all of the income received from the investment is now taxable. In the last year, the distributions are higher than the taxable income as the sale of the land is currently deemed a capital transaction and not taxable income. The Pre 1990 New Zealand Carbon Units have already been sold.

Distributions are paid gross with investors responsible for declaring and paying tax. Forest Enterprises advises investors of the taxable income to declare each year.

For the purposes of the projection, it is assumed that Portview North Forest will be harvested over a further 6 years, as part of a Collective Harvest Joint Venture (see below). Refer to page 6 for details on how the projected return has been calculated.

Partners at the end of the Limited Partnership's financial year 31 March 2025 will be allocated the full year's profit or loss for tax purposes.

Forest Activity for the Coming Year

Harvest is intended to restart later in 2025 however there is no firm date at this stage. Weather events caused a change to crew scheduling and prevented the 2024 harvest starting as originally planned in December 2023.

Impact of cyclones

Cyclone Hale (January 2023) and Cyclone Gabrielle (February 2023) caused extensive damage on the East Coast of the North Island, compounded by an already very wet summer. The Gisborne Tairāwhiti region was particularly hard hit by intense rainfall and flooding. Properties in the Tolaga Bay and Poverty Bay flats were damaged, as well as roads and standing timber.

The insurance the Group holds covers treecrop loss due to windstorm but not treecrop loss due to slips or flooding. The claim amount does not exceed the excess threshold. Therefore no claim has been submitted.



How has the projected return at harvest been calculated?

General notes to the cashflow projection

The Cashflow Projection reflects our current estimate of the cost of the work to be done or services provided, year by year through to harvest, based upon log prices. **We are to soon commence preparing the 31 March 2025 financial statements, and updating the cashflow projection for the remaining harvest period. The cashflow projection will therefore change from what is presently able to be disclosed.**

This prospective financial information will form the basis of future assumptions for financial reporting purposes. Actual revenues, costs and timing may vary from the projections because of changes over time to the work program and prices. The changes may be material. Please refer to the financial statements for all assumptions used.

Harvest assumptions include —

- The log volumes and grades based on the LiDAR survey and plot analysis carried out in 2020.
- A sales scenario based upon Gisborne and the Port of Gisborne as the point-of-sale.
- For the 12 months to 31 March 2025 log prices are based on Forest Enterprises' 12-month average to reporting date. For the remainder of harvest log prices are based on the 36-month average to reporting date.
- Production Costs including; logging, cartage, road construction and maintenance, and harvest management. These costs are based on the costs currently being paid by Forest Enterprises and reflects the characteristics of the forests currently being harvested. Other assumptions include —
 - It is assumed that the Land will be sold in the final year of harvest, and the value used is the October 2023 Valuation.
 - Replanting of the areas harvested has been assumed to occur in the winter following harvest and the replanted treecrop sold at the conclusion of harvest (in addition to the Land).

Future distributions in the cashflow projection should be taken as a guide only. Prospective financial information, 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. Accordingly, actual results may vary from the prospective financial information, and those variations may be significantly more or less favourable. The Manager does not guarantee the achievement of the prospective financial information

Net stumpage

The return at harvest is expressed as the net stumpage per hectare. The calculated harvest return is a projection based upon a number of critical assumptions which are outlined in the latest annual financial statements. For Portview Group this is currently projected to be \$21,256 as at 31 March 2024.

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	69.7	10.35%	\$185.29	\$98.06	\$87.23	\$6,081
P30	3.8	0.57%	\$141.65	\$98.06	\$43.59	\$166
A	397.4	58.98%	\$122.65	\$98.06	\$24.59	\$9,772
K	64.7	9.60%	\$106.55	\$98.06	\$8.49	\$549
KI	60.0	8.90%	\$101.40	\$98.06	\$3.34	\$200
KIS	19.2	2.84%	\$89.25	\$98.06	(\$8.81)	(\$169)
Domestic						
P35	59.1	8.76%	\$163.70	\$84.86	\$78.83	\$4,655
Totals	673.8	100%				\$21,256
Average Per Tonne			\$128.45	\$96.90	\$31.55	

Annual investment costs

All projected costs relating to the investment are included in the cashflow projection. Some key projected costs not included in the stumpage calculations include rates and insurance, fees, replant/establishment and tending.



Cashflow projection

Taken from the 31 March 2024 Financial Report adjusted to remove the cashflows to 31 March 2025 and sale of NZUs in 2031 (sold in 2024/2025 year). Please refer to the assumptions outlined from page 6. This cashflow projection for the remaining harvest period will be updated by late July 2024 using refreshed assumptions.

Note: the reference to 'Each Investment Unit' refers to a parcel of **200** shares.

CASHFLOW PROJECTION - Portview North Forest Investment							
No. Units							
Financial Year ending 31 March	2026	2027	2028	2029	2030	2031	TOTAL
Hectares Harvested by Collective	77.8	70.8	69.2	124.9	146.6	192.3	681.6
EXPENDITURE							
Capital Expenditure							
Contributions to Land LP	46,980	117,150	112,360	136,670	242,260	214,870	870,290
Road Formation	330,000	301,590	295,830	534,960	631,590	826,980	2,920,950
Deductible Expenditure							
Forestry Expenditure							
Maintenance	4,630	4,090	3,560	2,600	2,710	-	17,590
Protection	530	470	410	300	170	-	1,880
Insurance	10,840	9,990	9,170	7,400	5,170	2,120	44,690
Other Expenditure							
Management	9,300	9,300	9,300	9,300	9,300	9,300	55,800
Investor Admin Fee	5,350	5,350	5,350	5,350	5,350	5,350	32,100
Trustees Fees	3,400	3,400	3,400	3,400	3,400	3,400	20,400
Financial Audit	4,500	4,500	4,500	4,500	4,500	4,500	27,000
Forest Audit	1,300	1,300	1,300	1,300	1,300	1,300	7,800
Investment Update & Valuation	1,380	1,380	1,380	1,380	1,380	1,380	8,280
Forest Management Certification	2,270	2,270	2,270	2,270	2,270	2,270	13,620
Legal & Other Professional Fees	2,350	2,350	2,350	2,350	2,350	2,350	14,100
Borrowing Costs & Bank Fees	100	100	100	100	100	100	600
Investor Meeting Costs	100	100	100	100	3,600	100	4,100
Filing Fees & Disbursements	2,940	2,940	2,940	2,940	2,940	2,940	17,640
Industry Subscriptions & Levies	7,460	7,130	7,130	11,290	13,260	16,570	62,840
TOTAL EXPENDITURE	433,430	473,410	461,450	726,210	931,650	1,093,530	4,119,680
RECEIPTS							
Capital Receipts							
Net Current Assets	-	-	-	-	-	-	-
Sale of Shares in Land LP - Land Component	-	-	-	-	-	1,787,700	1,787,700
Sale of Shares in Land LP - Treecrop Component	-	-	-	-	-	1,076,820	1,076,820
Sale of NZUs	-	-	-	-	-	-	-
Income Receipts							
Carbon Rights	32,690	28,960	25,570	22,250	16,260	9,230	134,960
Interest	1,000	1,000	1,000	1,000	1,000	1,000	6,000
Harvest	768,480	719,180	729,440	1,343,350	1,611,990	2,113,540	7,285,980
TOTAL RECEIPTS	802,170	749,140	756,010	1,366,600	1,629,250	4,988,290	10,291,460
NET CASHFLOW	368,740	275,730	294,560	640,390	697,600	3,894,760	6,171,780
ANALYSIS FOR EACH INVESTMENT UNIT							
Call	2,950	2,206	2,356	5,123	5,581	31,158	49,374
Taxable Income	4,597	3,342	3,229	7,351	7,982	20,028	46,529
Tax Liability with a marginal tax rate of 33%	1,517	1,103	1,065	2,426	2,634	6,609	15,354
Post-Tax Income at a marginal tax rate of 33%	1,433	1,103	1,291	2,697	2,947	24,549	34,020



About the investment

Limited Partnership investment structure

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

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

Investors in the Portview North Forest Investment have limited partner shares in the LP plus an equivalent number of company shares in the GP. 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.

Limited liability

As the Portview North Forest Investment is a LP, 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.

Limited Partnership is a Managed Investment Scheme

The Portview North Forest LP was registered as a MIS under the Financial Markets Conduct Act 2013 (FMC Act) on 29 November 2016. By consequence of the Act's definition of "managed investment scheme", the Limited Partnership is the registered MIS.

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.

ETS Carbon Lease

Portview North Forest LP entered into a business arrangement in 2012 with 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. The annual rental income has helped to offset the annual investment costs.

The participant in the ETS is New Zealand Carbon Leasing (No 1) Limited. It is this company and not Portview North Forest LP that has the ETS liability at harvest. A legal opinion to this effect is available on request.

Insurance

Forest Enterprises coordinates a bulk insurance policy issued by Sage Partners Limited as Lloyd's Coverholder - (FSP740751) Under this policy, each insured peril or type of additional cover in the policy has its own aggregate maximum liability.

General details on the insurance cover in place from 1 September 2024 to 31 August 2025:

- The total aggregate cap across all policies under the Group Scheme is \$9 million on any one claim and event.
- **Fire** – Fire cover, including re-establishment and claim costs, is subject to any proportionate share of a \$5 million cap within the South Gisborne regional insurance group.
- **Excess** – The excess for fire is \$500,000 for the South Gisborne regional insurance group.
- **Public Liability** – Public Liability insurance, including that arising from the Fire and Emergency New Zealand Act 2017, is \$20 million. This is under a separate policy.

Insured value – The insured tree crop value for Portview Group is \$15,446,231. Like the indicative value, insured value is derived by discounting back future cash flows to present value. The discount rate for insurance is 7.5%.



About the forest

Location

Portview North Forest is located approximately 47km southwest of Gisborne, in a property comprising 301.4 hectares of planted area. Nearly 85% of the Portview Group forests can be described as medium to steep hill country, typical of East Coast forestland, with the balance in medium hill country.

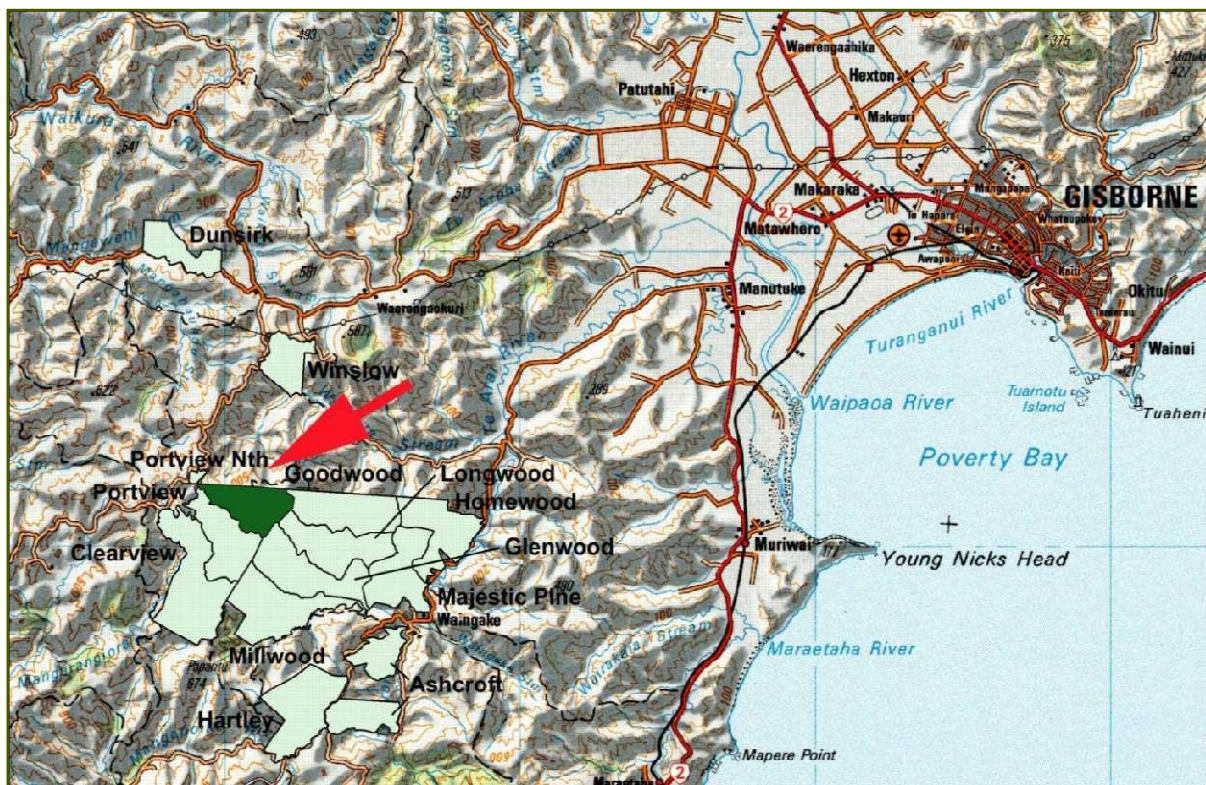
Portview North Forest is surrounded by other forests managed by Forest Enterprises, providing economies of scale for all forest operations. Portview North Forest is the dark green area on the map, and adjoins 2 other forests collectively known as the Portview Group.

Harvest status

Portview North Forest Investment is harvesting by way of a joint venture with the two neighbouring Forest Enterprises investment forests. Harvest has already commenced with 29.5% of harvesting completed. Portview North Forest Investment will receive 29.6% of the net harvest proceeds from the harvest joint venture. Portview North Forest Investment also has a 29.5% share in the Limited Partnership entity which holds the land titles of the three participating investments (Land LP).

Copies of any client communications on the joint venture to date, and financial calculations, can be requested.

Approximately 15% of the timber we harvest from our managed estate in Gisborne is supplied to local sawmills. We export the balance via Gisborne's international log export port, Eastland Port at the mouth of the Turanganui River. Our log export and marketing partner in Gisborne is PFP.





Second rotation trees.



Harvesting mid-2023.

