

Woodgate Forest Investment

Investment Report

21 September 2017



Group of investors standing on the newly formed harvest road, overlooking part of the forest.

Photo April 2017

Indicative Initial Offer for 200 shares	Projected Return	Location
\$21,700 to \$22,300 initially	\$48,035 gross	55km north of Gisborne
Both the Indicative Initial Offer 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.		

A holding of 200 shares in the Woodgate Forest investment is available for purchase by open tender facilitated by Forest Enterprises.

NOTE: Return amounts expressed throughout this Report are based on a **200** shareholding, unless otherwise stated.

Contents

What will the investment cost?	3
What is the projected return?	4
Where is Woodgate Forest?	4
How do I invest in Woodgate Forest?	5
Investment Structure	5
Who is involved in providing this investment for me?	6
The Woodgate Forest	7
How has the projected return at harvest been calculated?	8
March 2017 Managers Report	9
General Notes to the Cashflow Projection	10
Cashflow Projection	11
March 2017 Statement of Financial Position	12
Detailed Location Map	13
Tender Form	14
Example Deed of Assignment and Power of Attorney	15

Additional information for investors

The first six documents listed below about the Woodgate Forest Investment are on the Companies Office website <https://www.companiesoffice.govt.nz/disclose> and found under Search Scheme No SCH10941.

Document	Note
31 March 2017 Financial Report for Woodgate Forest Investment	Extracts from the 2017 Financial Report are contained in this Investment Report
31 March 2017 Annual Report	New prescribed document which includes the fess, details and description of the Scheme.
Deed of Scheme Management (DSM)	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 DSM 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 further information, or any questions please contact our Customer Services Manager, Merv Jones on

- Freephone 0800 PINEGOLD (0800 746 346)
- Email mjones@forestenterprises.co.nz
- Mail PO Box 128, Masterton, New Zealand

International callers please use telephone +64 6 370 6360 and fax +64 6 370 6369.



What will the investment cost?

Indicative Initial Offer

\$21,700 to \$22,300 for a 200 shareholding

An indicative Offer of \$21,700 represents an 8% tax paid compounded return per annum while an indicative Offer of \$22,300 represents a 7.5% tax paid compounded return per annum over the investment term. These indicative Offers are for a holding of 200 shares in Woodgate Forest and represent half the net present value of the Cashflow Projection set out on page 11 (adjusted for the distribution already made in the current year), assuming a marginal tax rate of 33 cents in the dollar.

The indicative initial Offer calculations are 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. It is assumed that harvest will occur when the trees are 28 years old, any change will impact on the duration of carbon lease payments included in the Cashflow Projection. 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.

The annual Investor Administration Fee of \$40 per Investor per investment per annum is only paid once, regardless of the number of shares held in the Woodgate Forest investment. This fee is included in the Cashflow Projection before deducting the multiple investor adjustments for those investors who own more or less than 200 shares, where a credit or debit adjustment is made for their proportionate share of the \$40 Administration Fee charged per 200 shares.

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. The following future payments are projected for one holding of 200 shares in the Woodgate Forest

Due Date	Amount
2017 until harvest in 2024	\$0 - Call payments offset by carbon lease income
2018, 2021, 2024 & 2025	Original harvest income years, but note that actual harvest timing may occur earlier or later than these years

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

Investment Profit (Tax Loss)

Under current New Zealand tax law, any profit each year will be subject to tax at the investors marginal tax rate. Resident Investors are entitled to a share of any tax losses and are advised of the amount in May each year.

As set out in the Cashflow Projection on page 11, as there no future annual Call payments, the total projected tax savings for one holding of 200 shares in Woodgate Forest are now minimal. The tax calculations are time sensitive and current to 1 August 2017. Non-residents (such as Overseas Persons, see page 5) should check with their Tax Adviser.



What is the projected return?

Projected Return at Harvest

\$48,035 gross in years 2018, 2021, 2024 & 2025 for a 200 shareholding

The table below shows the projected gross return at harvest for one holding of 200 shares in Woodgate Forest at current log prices and if log prices increase or decrease by 10%

Year ending	Current Log Prices –10%	Current Log Prices	Current Log Prices +10%
2018	\$4,773	\$6,063	\$9,612
2021	\$5,217	\$6,913	\$8,609
2024	\$8,831	\$11,393	\$13,956
2025	\$20,293	\$23,666	\$27,040
Total	\$39,114	\$48,035	\$59,217

For the purposes of the projection it is assumed that 30% of Woodgate Forest will be harvested in 2018, 18% in 2021, 22% in 2024 and the remaining 30% in 2025. This harvest timing reflects a period of 12 months spanning 6 months before and 6 months after the 28th anniversary of 30 June, the standardised planting date. **Please note that variations around this timing are likely.** 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 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 \$33,765 for a holding of 200 shares.

Selling the Investment Before Harvest

Shares can be sold at any time before harvest but 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.

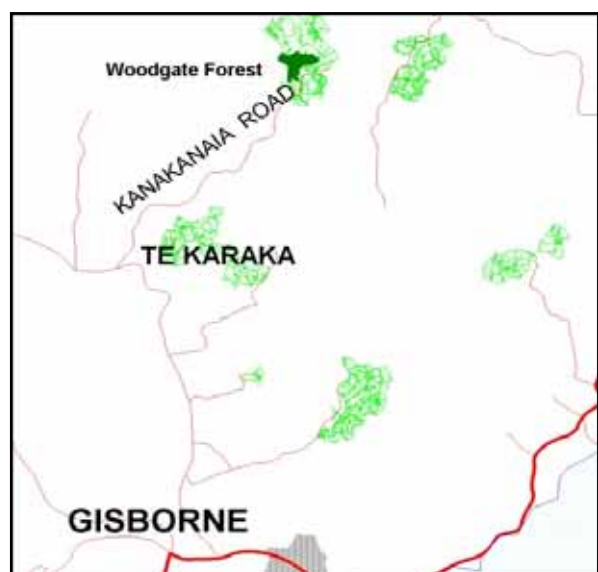
Where is Woodgate Forest?

Woodgate Forest is located 55km north of Gisborne, in a property comprising 259.3 hectares. Woodgate Forest is the dark green area on the map (right).

Woodgate Forest is adjacent to 3 other Forest Enterprises forest investments, with several others in the vicinity (light green areas on the map).

Gisborne has an international log export port and major processing mills.

A more detailed location map can be found on page 13.



How do I invest in Woodgate Forest?

Open 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 Woodgate Forest investment may be purchased by open tender on this market for the entire holding of 200 shares.

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).

The total purchase price you tender may be within, above or below the indicative initial Offer 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. It is also required that overseas persons obtain a New Zealand (NZ) IRD tax number and open a functional NZ bank account. Further information relevant to overseas persons can be obtained 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:

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

Investment structure

Limited Partnership

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

Limited Partnership and General Partner

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

Shares in Limited Partnership and shares in General Partner

Investors in the Woodgate 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 32,000 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 Woodgate 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 Woodgate 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 5, 10 Customhouse Quay
PO Box 3222
Wellington

Financial Auditor

Staples Rodway Wellington
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 one of New Zealand's leading forest investment companies and is unique in providing both forest management and investment services. Our business is to create wealth naturally for private investors via New Zealand Radiata pine plantation forestry.

Our 7,500+ investors are mostly New Zealanders, and on their behalf we manage a forest estate of 20,300 hectares in the North Island's East Coast regions of Wairarapa, Hawkes Bay and Gisborne.

Since we started in 1972 in Masterton, New Zealand we have remained a locally owned and operated business. We have grown to 17 employees—who include the company's five shareholders—professionals in the fields of forestry, accounting and finance, administration, commercial law, and sales and marketing.

Forest Enterprises is the business name for Forest Enterprises Limited (FEL), and its parent company Forest Enterprises Growth Limited (FEG). FEL is the Manager of the Woodgate Forest Investment. FEG is contracted by FEL to coordinate and supervise all the field activities relating to the land and trees, at the direction of FEL, a licenced manager of forestry managed Investment Schemes under the FMC Act.



The Woodgate Forest

Property Description

The contour of Woodgate Forest is predominantly medium hill country with the majority of the property at an altitude of less than 350 facing south. Woodgate Forest is surrounded by other forest investments managed by Forest Enterprises, providing potential economies of scale for all forest operations.

Climate

The climate is typical of the mild East Coast region with annual rainfall averaging 1,500mm. The site index, a forestry term for the indication of growth potential, had been assessed in the original prospectus as an average of 30 metres. Following the yield update in 2007, the average site index is now assessed at 34 metres, resulting in an increase of timber volume.

Forest Development Status

Woodgate Forest comprises a net-planted area of 223.6 hectares made up of an existing plantation on the property at the time of purchase and stands established in 1996 and 1997 (see table below) using GF 16 and 17 genetically improved treestocks. A holding of 100 shares represents 0.70 hectares of established forest on land owned by the Investors.

An East Coast Forestry Grant was approved over 125 hectares of the forest area and recoverable during the establishment and tending phase of the forest in predetermined amounts. The grant required planting densities of 1,250/ 1,500 stems per hectare. Planting densities for the area not covered by the grant are at a target 1,000 stems per hectare. Pruning and thinning was 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).

Planting year	Net Stocked Area
1990	102.0 hectares
1996	48.5 hectares
1997	64.3 hectares
2017 (Estimate)	8.8 hectares
Total	223.6 hectares

Areas are based upon aerial photography and mapping undertaken in 2017. Mapping accuracy is + 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.

Insurance

Woodgate 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 \$25,000.

Manager's Report

The Managers 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 Woodgate Forest are included on page 9.

ETS Carbon Lease

Woodgate 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.

The participant in the ETS is New Zealand Carbon Leasing (No 1) Limited. It is this company and not Woodgate Forest LP that 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?

Net Stumpage

The return at harvest is expressed as the net stumpage per hectare. For Woodgate Forest this is currently projected to be \$31,238 per hectare (ha) calculated as follows —

Log Type	Projected Recoverable Volume (m ³ /ha)	Percentage	FEL Price at Point of Sale (\$/m ³)	Total Production Costs (\$/m ³)	Net Return Stumpage (\$/m ³)	Contribution to Stumpage (\$/ ha)
Export P40	131.62	19%	\$170.25	\$66.07	\$104.18	\$13,777
Export P30	54.31	8%	\$69.60	\$66.07	\$3.53	\$177
Export A	280.41	40%	\$108.15	\$66.07	\$42.08	\$11,948
Export K	128.17	18%	\$94.10	\$66.07	\$28.03	\$3,687
Export KI	52.74	8%	\$87.20	\$66.07	\$21.13	\$1,126
Export KIS	51.03	7%	\$76.40	\$66.07	\$10.33	\$523
Totals	698.28	100%				\$31,238

Harvest Assumptions

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

- The log volumes and grades are based on a mid-rotation inventory carried out in 2014. These are now reported in actual log grades rather than generic Ministry of Primary Industries (MPI) grades. As these figures are derived from low percentage sampling they are subject to material variation.
- A sales scenario based upon 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.
- Log prices are Forest Enterprises (FEL) 12 quarter average prices to 30 June 2017. In order to better reflect actual log grades and regional prices, actual FEL grades and sales prices are now used rather than the generic grades reported upon by MPI.
- 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 additional cost of the roading network required at harvest is substantial. As this stage a provision of \$864,000 has been made and represents \$5.76/ m³ of the Total Production Costs (\$/ m³) figure shown in the Stumpage calculation below.
- The split between hauler and ground based logging may be amended when harvest planning is progressed. At this stage 82%hauler / 18%ground based logging has been assumed.
- Harvest is assumed to occur in the years shown. Harvesting practicalities will probably have an impact on this timing resulting in a spread over more years.

Important

Every effort has been made to arrive at reasonable figures based upon Forest Enterprises' 45 years forestry knowledge, including our current 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 Woodgate Forest

Taken from the Financial Report for the year ended 31 March 2017.

Forest Activity Last Year

Stage 1 of the harvest of the 1990 age class was completed from April 2016 to June 2016. The program commenced at the entranceway from Kanakanaia Road (the public road), and continued through a section of the younger 1997 age class in order to access the southern end of the 1990 age class. The harvesting through the 1997 age class was road line harvesting, necessary to open up around the existing Ridge Track to enable its upgrade to be to harvest road standard.

Once the 1990 age class was reached, the harvesting cleared the forest area necessary to continue the roading network, plus included some of the accessible 1990 forest areas able to be ground-based harvested using the equipment on site. In addition, the Kanakanaia entranceway was substantially upgraded and two Landings (flat processing areas) were constructed.

A major portion of the harvest proceeds were used for the required investment in the roading and other infrastructure required for the preparation for harvest still to come, including Stage 2 of the 1990 age class.

Forest Activity for the Coming Year

The projected Stage 2 program now comprises 63.4 hectares and is now scheduled to commence in April 2017. It should also be noted that the 1990 age class is generally of lesser quality than the younger stands. The 1990 age class was present on the property at the time of purchase. It is therefore to be expected that the Gross Stumpage will be less than the 1996 and 1997 age classes.

A forest Harvest Visit was held on 2 April 2017. The purpose of the Harvest Visit was to introduce Investors to harvesting (and harvest preparation work) completed to date and planned for later in 2017. The meeting also addressed solutions to challenges beyond harvest such as how partners exit the investment and the possibility of grouping with other forests for harvest of the younger age classes. Further details will be provided later.

Provision has been made in the budget for re-establishment of 8 hectares and continued maintenance of the tracks and internal access ways, as required.

Emissions Trading Scheme

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 ETS being the responsibility of the carbon lease company for post 1989 forest areas.

The fourth payment of \$29,988 was received on 30 April 2016. The fifth payment due after balance date on 2 May 2017 will be that received in 2016 plus 1.3% being the increase in the Consumer Price Index for the 12 months ending 31 December 2016 less an adjustment for harvested area.

Separate to the post 1989 forest area, Woodgate Forest has 44 hectares of pre 1990 forest area. The 2,640 New Zealand Units (NZUs) relating to this area are available for sale. The market price at the end of May 2017 was around \$16.50/ NZU.

Conclusion

This report is specific to matters pertaining to your forest, with items of a more general nature, and industry comment being covered in our regular Forest Enterprises Investor Communications.



General Notes to the Cashflow Projection

The base Cashflow Projection is updated yearly as part of the financial 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 Financial 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 Financial 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 \$6,400 figure per annum is subject to a credit or debit adjustment for those investors who own more or less than 200 shares.
- A distribution of \$1,130 per 200 shares was paid after balance date on 19 June 2017, so the indicative values and the Cash Receivable reduced on this date and are reflected throughout this Report other than on page 11.

NOTE: Future Calls in the Cashflow Projection should be taken as a guide only, as they can and will change.



Skidder pulling cut trees to the landing for processing into logs, which are then stacked ready for loading onto trucks. Photo April 2016



Cashflow Projection for Woodgate Forest

Please refer to the General Notes to the Projection opposite.

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

Financial Year ending March 2018		2018	2019	2020	2021	2022	2023	2024	2025	TOTAL
Hectares Planted										
Total Hectares Harvested		63.4			38.6			48.5	64.3	214.8
EXPENDITURE										
Capital Expenditure										
Depreciable										
Road Formation		316492								316492
Land Preparation		28280			14100					42380
Deductible Expenditure										
Forestry Expenditure										
Establishment		12650	102310			55240				170200
Tending				2130	560	11020	68320	8690	77140	167860
Maintenance		3010	3010	3010	3010	3010	3010			18060
Protection		2610	2610	2610	2610	2610	2610	2610	2610	20880
Insurance		7100	6090	6420	6500	5750	5350	5000	3070	45280
Rates		4600	4600	4600	4600	4600	4600	4600	4600	36800
Other Expenditure										
Management		5540	3760	3760	3760	2680	2680	2680	1330	26190
Investor Admin Fee		6400	6400	6400	6400	6400	6400	6400	6400	51200
Trustees Fees		3750	3750	3750	3750	3750	3750	3750	3750	30000
Audit Fees		2750	2200	2200	2200	2200	2200	2200	2200	18150
Investment Update & Valuation		1760	1760	1760	1760	1760	1760	1760	1760	14080
Legal & Other Professional Fees		2000								2000
Mapping & Inventory		1500			2120	240	10050			13910
Borrowing Costs & Bank Fees		1000	1000	1000	1000	1000	1000			6000
Industry Subscriptions & Levies		3700	3700	3700	3700	3700	3700	3700	3700	29600
Filing Fees & Disbursements		4000	4000	4000	4000	4000	4000	4000	4000	32000
Investor Meeting Costs		4000				3500				7500
Contingency										
TOTAL EXPENDITURE		411142	145190	45340	60070	111460	119430	45390	110560	1048582
RECEIPTS										
Net Current Assets		-127720	116280	16430		82550	90520			178060
Sale of Land & Improvements									687000	687000
Mortgage Borrowings										
Carbon Lease			28210	28210	28210	28210	28210	28210	5434	174694
Interest		700	700	700	700	700	700	700	700	5600
Harvest		1688972			1137230			1839410	2360770	7026382
Sale of Second Rotation Trees									843276	843276
TOTAL RECEIPTS		1561952	145190	45340	1166140	111460	119430	1868320	3897180	8915012
NET CASHFLOW		1150810			1106070			1822930	3786620	7866430
CASHFLOW FOR EACH INVESTMENT UNIT										
Calendar Year of Call Payment		2017	2018	2019	2020	2021	2022	2023	2024	TOTALS
Payable 28 February										
Cash Receivable per Unit per Annum		7193			6913			11393	23666	49165
TAX ANALYSIS FOR EACH INVESTMENT UNIT										
Tax Year ending March		2018	2019	2020	2021	2022	2023	2024	2025	TOTALS
Cashflow per Unit before Tax		7193			6913			11393	23666	49165
Taxation Benefit at 33%			240	34		170	187			631
Taxation Payable at 33%		-3133			-2114			-3760	-6393	-15400
Cash Payable per Unit after Tax			240	34		170	187			631
Cash Receivable per Unit after Tax		4060			4799			7633	17273	33765



Statement of Financial Position for Woodgate Forest

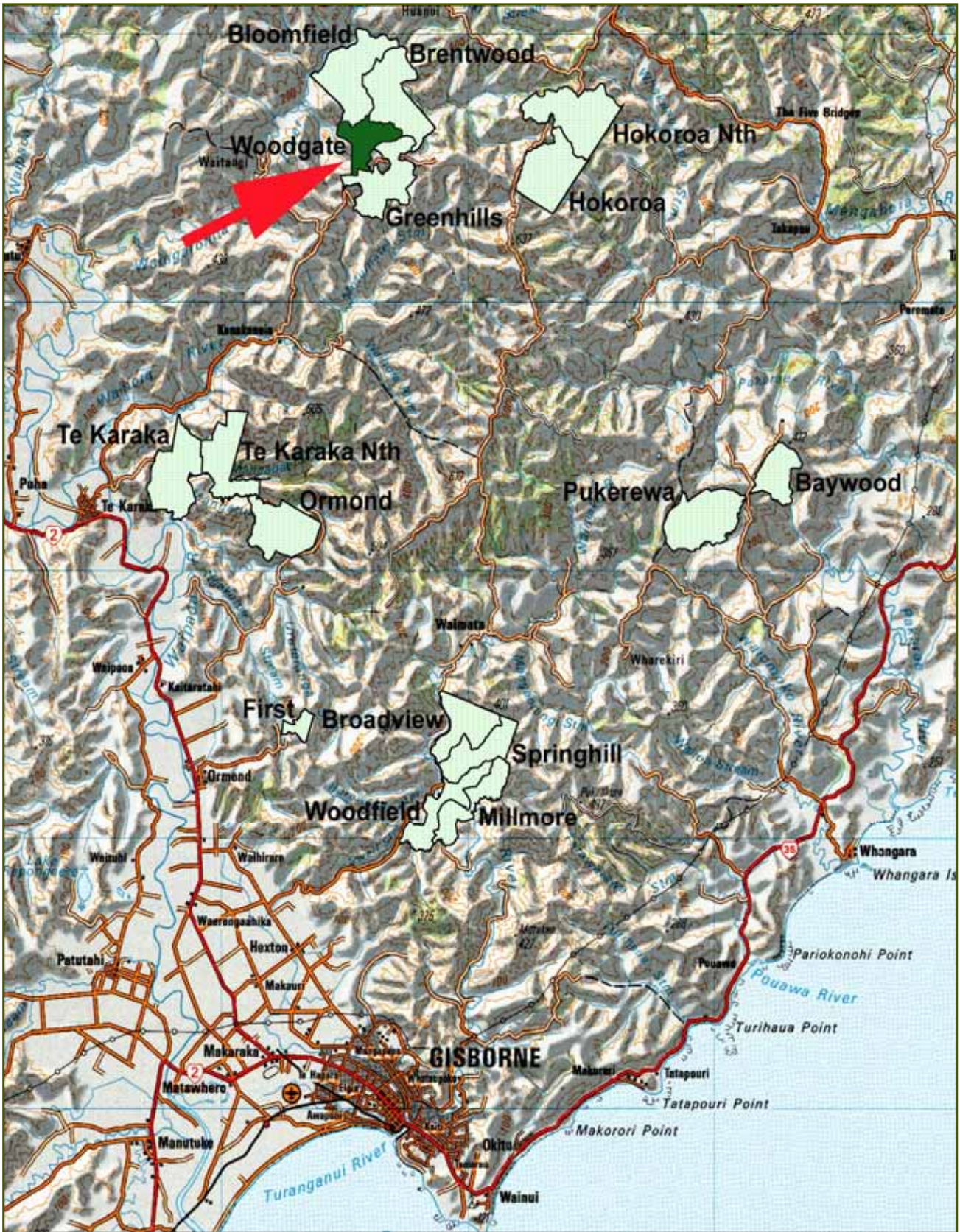
Taken from the Financial Report for the year ended 31 March 2017.

2015/16 \$		Note	\$	\$	2016/17 \$
	CURRENT ASSETS				
	Funds on Hand				
0	Cheque Account	1	1,912.09		
1,179	Trust Account	1	178,773.14		
1,179	Total Funds on Hand			180,685.23	
	Other Current Assets				
31,626	Sundry Debtors		28,338.97		
2,033	GST Recoverable		8,078.47		
183	Resident Withholding Tax Recoverable	2	251.25		
0	Tree Stock Deposit		890.63		
867	Expenses Paid In Advance		325.65		
0	Calls in Arrears		40.00		
34,709	Total Other Current Assets			37,924.97	
35,888	TOTAL CURRENT ASSETS			218,610.20	
	LESS CURRENT LIABILITIES				
15,322	Cheque Account	1	0.00		
9,080	Sundry Creditors		39,706.77		
7	Calls in Advance		847.08		
24,409	TOTAL CURRENT LIABILITIES			40,553.85	
11,480	NET CURRENT ASSETS	3			178,056.35
	PROPERTY, PLANT & EQUIPMENT				
	Roading				
0	Road Formation		231,829.00		
0	Less Accumulated Depreciation		(46,365.80)		
0	Total Roding			185,463.20	
	Land Preparation				
9,821	Land Preparation		9,820.55		
(7,147)	Less Accumulated Depreciation		(7,315.38)		
2,674	Total Land Preparation			2,505.17	
	Other Depreciable Assets				
0	Fencing		13,055.20		
0	Less Accumulated Depreciation		(1,305.52)		
0	Total Other Depreciable Assets			11,749.68	
	Non Depreciable Assets				
408,020	Land at Cost		408,020.00		
	Biological Assets				
3,364,475	Forest Crop Value	4	3,682,936.00		
3,772,495	Total Non Depreciable Assets			4,090,956.00	
3,775,169	TOTAL LONG TERM ASSETS				4,290,674.05
3,786,648	NET ASSETS				4,468,730.40
	EQUITY				
2,116,000	Investment by Limited Partners		2,116,000.00		
1,670,648	Retained Earnings		2,352,730.40		
3,786,648	NET EQUITY	5			4,468,730.40

Note	Comments
1	Funds on hand
2	The Resident Withholding Tax deducted from the Interest received will be recovered from the IRD by partners.
3	The Net Current Assets have been deducted from the 2017/18 budget to arrive at funding required
4	The fair value of the Forest Crop at balance date.
5	The total amount paid by the Limited Partners and Retained Earnings.



Detailed location map of Woodgate Forest



Tender Form

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

Tenderer Details	
Name:	_____
Address:	_____ _____
Phone: (Day)	_____ (Mobile) _____
Email:	_____
Tenderer intends to invest as: (tick one) Individual(s) <input type="checkbox"/> Trust <input type="checkbox"/> Company <input type="checkbox"/> Partnership <input type="checkbox"/>	

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.	

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.
- Based upon FEL's indicative valuation of the shares, the sale will meet the requirements of the definition of Excluded Income under Section HG 5 of the Income Tax Act 2007, i.e. the transfer value is less than \$50,000 as calculated under Section HG 5. The documentation to be completed in respect of any resulting sale will reflect this assumption, and in the event that New Zealand Inland Revenue determines otherwise the financial consequences will be the sole responsibility of the Seller. As a consequence, the successful Buyer will not receive a Cost of Timber (as that is defined in section DP 10 of the Income Tax Act 2007) in respect of the tree component 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.
- 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 (or renewed 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: / /



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 licenced 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 – Under \$50K	
THIS DEED is executed the _____ day of _____ 2016 <i>[To be completed by Forest Enterprises Ltd]</i>	
Parties	
1.	[Name of Assignor] (“the Assignor”)
2.	[Name of Assignee] (“the Assignee”)
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]
Effective Date:	<i>[To be completed by Forest Enterprises Ltd]</i>
Background	
<p>A. The Assignor is the owner of the LP Shares and the GP Shares in the Investment.</p> <p>B. 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.</p> <p>C. The Assignee wishes 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.</p>	



SPECIFIC TERMS

Tax Treatment of Consideration: 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.

IRD Determination: In the event that the New Zealand Inland Revenue Department ("IRD") determines otherwise:

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.

The Assignor will meet the resulting taxation liability.

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 clause 2.1.

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: Stephen Arthur Robert WILTON	Director Signature:
Director Name: Graeme Mark TINDALL	Director Signature:



GENERAL TERMS AND CONDITIONS

1. **Execution in Counterpart:** This Deed may be executed in counterpart and all counterparts will collectively constitute a single deed.
2. **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.
3. **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.
4. **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.

Assignment and Covenants

5. **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.
6. **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.
7. **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.
8. **Assignor's Obligations to Effective Date:** The Assignor covenants with the Assignee that the Assignor has up to the 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.
9. **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.
10. **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.

11. **Assignee must not be a Minor:** The Assignee covenants with the Limited Partnership that for the purposes of the enforceability of this Deed under the Minors' Contracts Act 1969 the Assignee is not under the age of 18 years.
12. **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.
13. **No Encumbrances:** The Assignee warrants that the LP Shares and the GP Shares are unencumbered.
14. **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 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 14, 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.

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 2071(3)(b) of the Companies Act 1993;
- (b) To vote on any resolution appointing a director of the General Partner;
- (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) 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





View of the 1997 age class from the Kanakanaia Road.

Photo February 2015



Group of investors at a combined Greenhills/Woodgate forest visit.

Photo November 2013

Love our forests

Our kārearea does



Our native falcon – the kārearea – is one of our most spectacular birds. You can see it on our \$20 note.

It speeds through the air at more than 100 km/h and catches prey larger than itself. It's unique and phenomenal.

It's also threatened. Much of the kārearea's natural habitat has been lost to farming and its numbers further reduced by cats, rats, stoats and weasels.

Our plantation forests have become important breeding grounds for this wonderful native bird. They nest there, they hunt there, and they have found a congenial home among the exotic trees – along with many other native species.

www.nzwood.co.nz

Let's love our forests – for the home they provide our native species.

www.nzwood.co.nz



Latest billboard from the NZ Wood national campaign *Love our forests* – www.nzwood.co.nz