

Broadview Forest Investment

Investment Report

28 March 2018



Looking into a well-established stand of trees, from a main access track.

Photo March 2017

| Indicative Initial Offer for 200 shares | Projected Return | Location |
|--|------------------|------------------------|
| \$50,000 to \$51,400 initially | \$113,338 gross | 21km north of Gisborne |
| Both the Indicative Initial Price 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 Broadview Forest investment is available for purchase by open tender facilitated by Forest Enterprises.

A prospective buyer can bid for all or part of this holding.

NOTE: Return amounts expressed in the Cashflow on page 11 are based on a 200 shareholding.

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Additional information for investors

The first six documents listed below about the Broadview Forest Investment are on the Companies Office website <https://www.companiesoffice.govt.nz/disclose> and found under Search Scheme SCH10966.

| Document | Note |
|---|--|
| 31 December 2017 Financial Report for Broadview Forest Investment (unaudited) | Extracts from the 2017 Financial Report are contained in this Investment Report |
| 31 December 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 —

- Freephone: 0800 PINEGOLD (0800 746 346) | International callers please use +64 6 370 6360
- Email: mjones@forestenterprises.co.nz
- Mail: PO Box 128, Masterton, New Zealand



What will the investment cost?

Indicative Initial Offer

\$50,000 to \$51,400 for a 200 shareholding

An indicative Offer of \$50,000 represents an 8% tax paid compounded return per annum while an indicative Offer of \$51,400 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 Broadview Forest and represents 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 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 Broadview 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 Broadview Forest —

| Due Date | Amount |
|----------------------------|--|
| 2017 until harvest in 2023 | \$0 - Call payments offset by carbon lease income |
| 2023 and 2024 | 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 Broadview Forest as the Calls are offset by the carbon lease income. In the longer term it may be necessary to sell the 1,500 pre-1990 New Zealand Units owned by the Limited Partnership and possibly have a Call, so that there are sufficient funds until harvest commences.

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 are no future annual Call payments, the total projected tax savings for one holding of 200 shares in Broadview Forest are now minimal. The tax calculations are time sensitive and current to 1 January 2018. 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 financial year will be allocated the full year's profit or loss for tax purposes pro rata to their respective Limited Partnership shares. This allocation will have no regard to transfers during the year, therefore no recognition will be made as to whether the buyer or seller has paid any Call or received any Distribution during the year of transfer.



What is the projected return?

Projected Return at Harvest

\$113,338 gross in years 2023 & 2024 for a 200 shareholding

The table below shows the projected gross return at harvest for 200 shares in Broadview 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% |
|--------------|-------------------------|--------------------|-------------------------|
| 2023 | \$45,480 | \$57,857 | \$70,232 |
| 2024 | \$45,457 | \$55,481 | \$65,414 |
| Total | \$91,027 | \$113,338 | \$135,646 |

For the purposes of the projection it is assumed that 55% of Broadview Forest will be harvested in 2023 and the remaining 45% in 2023. 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 \$79,178 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 Broadview Forest?

Broadview Forest is located 21km north of Gisborne, just over the Waimata Hill, in a property comprising 353.7 hectares and is the dark green area on the map (right).

Gisborne has an international log export port.

Broadview Forest is surrounded by three other Forest Enterprises forests investments (light green areas on the map).

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



How do I invest in Broadview 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 Broadview Forest investment may be purchased by open tender on this market, but all or part for the 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:

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

Limited Partnership and General Partner

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

Shares in Limited Partnership and shares in General Partner

Investors in the Broadview 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 Broadview 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 Broadview 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

Forest 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 18 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 Hampton 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 Broadview Forest

Property Description

The terrain of Broadview Forest is sheltered from the prevailing north westerly wind and varies from rolling hills to steeper ridges. Broadview 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 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 30.7 metres. Following the yield update in 2007, the average site index is now assessed at 34.4 metres, resulting in an increase of timber volume.

Forest Development Status

Broadview Forest comprises a net-planted area of 309.3 hectares, established in 1994 and 1995 (see table below). Each block of 200 shares represents 2.47 hectares of established forest on land owned by Investors

| Year of Plantings | Net Stocked Area | Areas are based upon aerial photography and mapping updated in 2016. 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. |
|-------------------|------------------|--|
| 1994 | 171.1 hectares | |
| 1995 | 138.2 hectares | |
| Total | 309.3 hectares | |

GF 16 and 17 genetically improved tree stocks 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

Broadview 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 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 Broadview Forest are included on page 9.

ETS Carbon Lease

Broadview 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 Broadview 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 Broadview Forest this is currently projected to be \$41,849 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 | 133.89 | 18% | \$177.30 | \$67.58 | \$109.72 | \$14,690 |
| Export P30 | 53.85 | 7% | \$142.65 | \$67.58 | \$75.07 | \$4,042 |
| Export A | 288.38 | 38% | \$118.50 | \$67.58 | \$50.92 | \$14,683 |
| Export K | 149.72 | 20% | \$104.50 | \$67.58 | \$36.92 | \$5,527 |
| Export KI | 69.13 | 9% | \$96.30 | \$67.58 | \$28.72 | \$1,985 |
| Export KIS | 54.13 | 7% | \$84.60 | \$67.58 | \$17.02 | \$921 |
| Totals | 749.11 | 100% | | | | \$41,849 |

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 (FE) 36 month average prices to 31 December 2017. In order to better reflect actual log grades and regional prices, actual FE 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 cost of the roading network required at harvest is substantial. As this stage a provision of \$2,005,096 has been made and represents \$8.65 /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 75% hauler / 25% ground 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 Broadview Forest

Taken from the Financial Report for the year ended 31 December 2017 (unaudited)

Forest Activity Last Year

As your forest has completed its major silviculture operations and is growing on to harvest, field activities during the year focused on regular inspections to check on forest health and to ensure access ways remain open.

Maintenance expenditure related to clearing trees from the tracks along with minor slips and debris.

Forest Activity for the Coming Year

Provision has been made in the budget for continued maintenance of the tracks and internal access ways, as required in 2018.

Although harvest is a number of years away, it is planned in 2019 for the harvest plan to be developed and to submit the necessary resource consents that are required to be able to harvest the forest.

In 2020 the forestry inventory estimating the quality and quantity of the treecrop is planned.

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 fifth payment of \$51,696 was received on 30 April 2017. The next payment due on 30 April 2018 will be that received in 2017 plus 1.3%, being the increase in the Consumer Price Index for the 12 months ending 31 December 2017.

Separate to the post 1989 forest area, Broadview Forest has 25 hectares of pre 1990 forest area. The 1,500 New Zealand Units (NZUs) relating to this area can be sold. The market price at the end of January 2018 was around \$21.50/ 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.



Entrance to the Broadview and Springhill Forests from Waimata Road.

Photo February 2015



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 \$5,000 figure per annum is subject to a credit or debit adjustment for those investors who own more or less than 200 shares.

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



Another entrance track to both the Broadview and Springhill Forests.

Photo February 2015



Cashflow Projection for Broadview 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 December 2018 | | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | TOTAL |
|--|--|--|--------------|--------------|--------------|--------------|--------------|----------------|----------------|-----------------|
| Hectares Planted | | | | | | | | | | |
| Total Hectares Harvested | | | | | | | | 171.1 | 138.2 | 309.3 |
| EXPENDITURE | | | | | | | | | | |
| Forestry Expenditure | | | | | | | | | | |
| Maintenance | | | 5240 | 5240 | 5240 | 5240 | 5240 | 1560 | 1560 | 29320 |
| Protection | | | 2800 | 2800 | 2800 | 2800 | 2800 | 2800 | 2800 | 19600 |
| Insurance | | | 8770 | 9190 | 9110 | 8420 | 8960 | 7190 | 3190 | 54830 |
| Rates | | | 6300 | 6300 | 6300 | 6300 | 6300 | 6300 | 6300 | 44100 |
| Other Expenditure | | | | | | | | | | |
| Management | | | 8660 | 8660 | 8660 | 8660 | 8660 | 8660 | 3870 | 55832 |
| Investor Admin Fee | | | 5000 | 5000 | 5000 | 5000 | 5000 | 5000 | 5000 | 35000 |
| Trustees Fees | | | 3250 | 3250 | 3250 | 3250 | 3250 | 3250 | 3250 | 22750 |
| Audit Fees | | | 2200 | 2200 | 2200 | 2200 | 2200 | 2200 | 2200 | 15400 |
| Investment Update & Valuation | | | 1375 | 1375 | 1375 | 1375 | 1375 | 1375 | 1375 | 9625 |
| Legal & Other Professional Fees | | | 2000 | 14700 | | | | | | 16700 |
| Mapping & Inventory | | | 1030 | | 25490 | | | | | 26520 |
| Borrowing Costs & Bank Fees | | | 600 | 600 | 600 | 600 | 600 | | | 3000 |
| Industry Subscriptions & Levies | | | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 7000 |
| Filing Fees & Disbursements | | | 3200 | 3200 | 3200 | 3200 | 3200 | 3200 | 3200 | 22400 |
| Investor Meeting Costs | | | 5000 | | | | | 5000 | | 10000 |
| Contingency | | | | | | | | | | |
| TOTAL EXPENDITURE | | | 56425 | 63515 | 74225 | 48045 | 48585 | 47535 | 33745 | 372077 |
| RECEIPTS | | | | | | | | | | |
| Net Current Assets | | | 55425 | 9985 | 20695 | -5485 | -4945 | 31845 | | 107520 |
| Sale of Land & Improvements | | | | | | | | | 1196000 | 1196000 |
| Mortgage Borrowings | | | | | | | | | | |
| Carbon Lease | | | | 52530 | 52530 | 52530 | 52530 | 52530 | 22154 | 284804 |
| Interest Received | | | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 7000 |
| Harvest | | | | | | | | 7194240 | 5749670 | 12943910 |
| Sale of Second Rotation Trees | | | | | | | | | | |
| TOTAL RECEIPTS | | | 56425 | 63515 | 74225 | 48045 | 48585 | 7279615 | 6968824 | 14539234 |
| NET CASHFLOW | | | 0 | 0 | 0 | 0 | 0 | 7232080 | 6935079 | 14167157 |
| CASHFLOW FOR EACH INVESTMENT UNIT | | | | | | | | | | |
| Calendar Year of Call Payment | | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | TOTALS |
| Cash Payable per Unit per Annum | | | 0 | 0 | 0 | 0 | 0 | | | 0 |
| Payable 31 October | | | | | | | | | | |
| Cash Receivable per Unit per Annum | | | | | | | | 57857 | 55481 | 113338 |
| TAX ANALYSIS FOR EACH INVESTMENT UNIT | | | | | | | | | | |
| Tax Year ending December | | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | TOTALS |
| Cashflow per Unit before Tax | | | | | | | | 57857 | 55481 | 113338 |
| Taxation Benefit at 33% | | | 8 | 26 | 55 | -14 | -13 | | | 61 |
| Taxation Payable at 33% | | | | | | | | -19009 | -15151 | -34160 |
| Cash Payable per Unit after Tax | | | 8 | 26 | 55 | -14 | -13 | | | 61 |
| Cash Receivable per Unit after Tax | | | | | | | | 38848 | 40330 | 79178 |



Statement of Financial Position for Broadview Forest

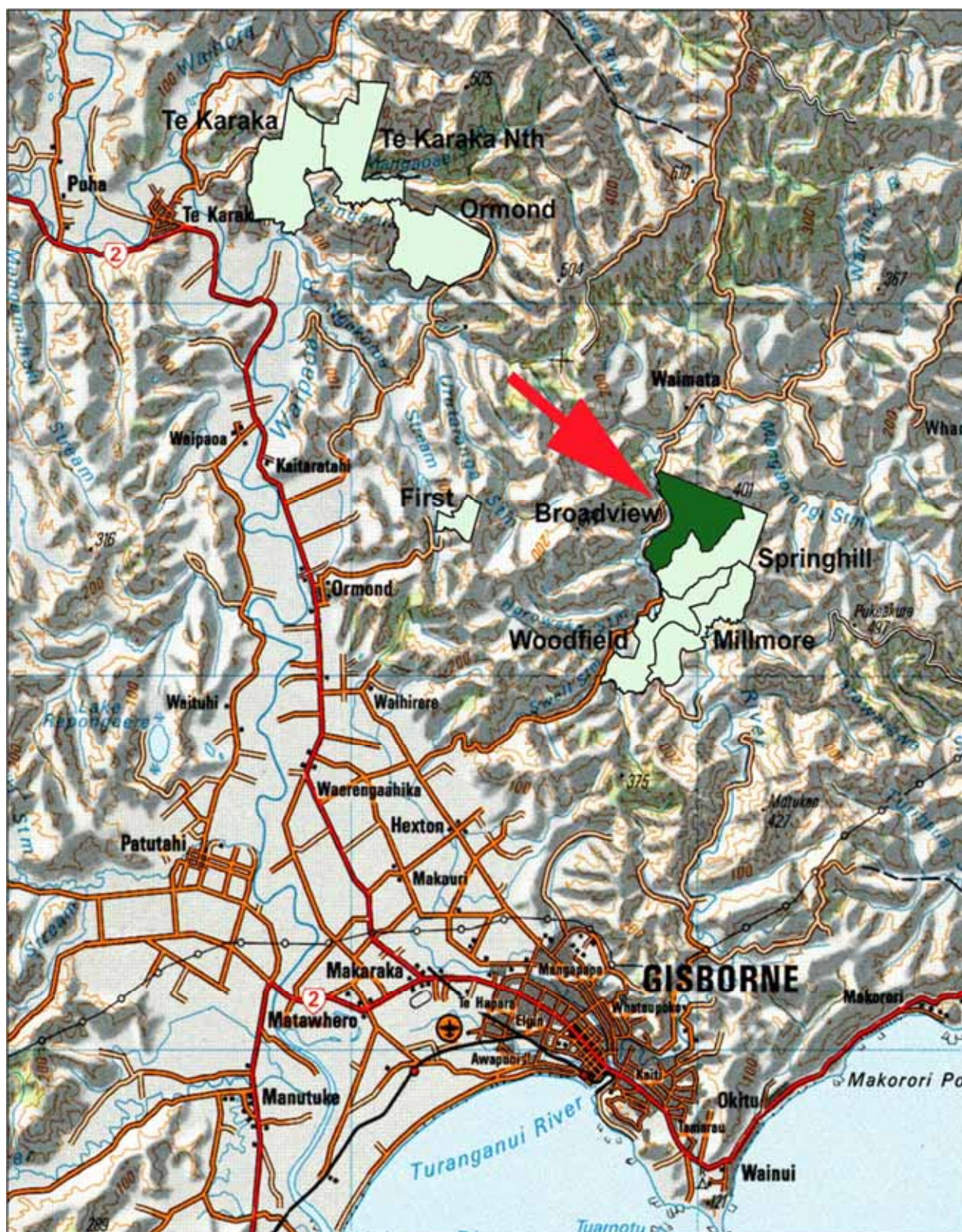
Taken from the Financial Report for the year ended 31 December 2017 (unaudited)

| 2016 \$ | | Note | \$ | \$ | 2017 \$ |
|------------------|--|------|--------------|---------------------|---------------------|
| | CURRENT ASSETS | | | | |
| | Funds on Hand | | | | |
| 5,287 | Cheque Account | 1 | 3,043.23 | | |
| 51,845 | Trust Account | 1 | 52,130.46 | | |
| 57,131 | Total Funds on Hand | | | 55,173.69 | |
| | Other Current Assets | | | | |
| 51,675 | Sundry Debtors | | 52,531.06 | | |
| 1,237 | GST Recoverable | | 967.86 | | |
| 67 | Resident Withholding Tax Recoverable | 2 | 171.17 | | |
| 696 | Expenses Paid In Advance | | 1,715.93 | | |
| 1,353 | Calls in Arrears | | 1,433.12 | | |
| 55,027 | Total Other Current Assets | | | 56,819.14 | |
| 112,159 | TOTAL CURRENT ASSETS | | | 111,992.83 | |
| | LESS CURRENT LIABILITIES | | | | |
| 12,086 | Sundry Creditors | | 3,582.88 | | |
| 448 | Calls in Advance | | 888.36 | | |
| 12,534 | TOTAL CURRENT LIABILITIES | | | 4,471.24 | |
| 99,624 | NET CURRENT ASSETS | | | | |
| | PROPERTY, PLANT & EQUIPMENT | 3 | | | 107,521.59 |
| | Land Preparation | | | | |
| 9,743 | Land Preparation | | 9,743.34 | | |
| (7,384) | Less Accumulated Depreciation | | (7,532.76) | | |
| 2,359 | Total Land Preparation | | | 2,210.58 | |
| | Other Depreciable Assets | | | | |
| 16,000 | Fencing | | 16,000.00 | | |
| (1,600) | Less Accumulated Depreciation | | (1,600.00) | | |
| 14,400 | Total Other Depreciable Assets | | | 14,400.00 | |
| | Non Depreciable Assets | | | | |
| 385,441 | Land at Cost | | 385,440.96 | | |
| | Biological Assets | | | | |
| 5,814,468 | Forest Crop Value | 4 | 7,003,136.00 | | |
| 6,199,909 | Total Non Depreciable Assets | | | 7,388,576.96 | |
| 6,216,668 | TOTAL LONG TERM ASSETS | | | | 7,405,187.54 |
| 6,316,292 | NET ASSETS | | | | 7,512,709.13 |
| | EQUITY | | | | |
| 2,297,900 | Investment by Limited Partners | | 2,297,900.00 | | |
| 4,018,392 | Retained Earnings | | 5,214,809.13 | | |
| 6,316,292 | NET EQUITY | 5 | | | 7,512,709.13 |

| Note | Comments |
|------|--|
| 1 | Funds on hand. |
| 2 | The Resident Withholding Tax deducted from the Interest received will be recovered from the IRD. |
| 3 | The Net Current Assets have been deducted from the 2018 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 Broadview 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) ☐ 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.

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: / /

Return your completed Tender Form to Customer Services Manager Merv Jones at mjones@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 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 _____ 2018 <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:

Graeme Mark TINDALL

Director Signature:

Director Name:

Gordon Brent WONG

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.
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.

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.

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 207(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





Bert Hughes, General Manager – Forestry, addressing a group of investors at the last forest visit. Photo March 2013



Looking over the 1995 plantings from the Waimata Road.

Photo February 2011



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