

# Greenhills Forest Investment

## Investment Report

31 March 2022



Trees in Greenhills Forest showing excellent growth

Photo May 2019

A holding of 200 shares in the named forest investment available for purchase by tender, facilitated by Forest Enterprises.	
<b>Indicative Value</b>	\$50,700 — \$52,400
<b>Projected Harvest Return</b>	\$124,682 pre-tax
<b>Forest Location</b>	Gisborne

This Investment Report provides an overview of the named Forest Enterprises investment, its structure, the asset, and projected valuations and returns.

Forest Enterprises makes every effort to arrive at reasonable calculations based on our 50 years' forestry knowledge, including our ongoing harvesting experience.

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

All assumptions are outlined in this report (refer page 2), or the latest annual Financial Report available from the Companies Office Disclose Register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose)

## Key investment details

<b>Shares available to purchase</b>	One parcel of 200 shares in <b>Greenhills Forest Investment</b> Only bids for the entire shareholding will be accepted
<b>Indicative Value</b>	\$50,700 at 8% IRR* — \$52,400 at 7.5% IRR* * tax paid compounded return per annum over the investment term
<b>Projected Harvest Return</b>	\$124,682 pre-tax
<b>Projected Harvest Timing</b>	2023 — 2034
<b>Projected Future Investor Contributions</b>	Ongoing Calls, \$0 per annum Investor Administration Fee, \$40 per annum
<b>Investment Structure</b>	Registered Managed Investment Scheme (MIS) SCH935 <ul style="list-style-type: none"><li>Greenhills Forest LP (Limited Partnership) 36,000 LP shares</li><li>Greenhills Forest GP Limited (General Partner) 36,000 GP shares</li></ul>
<b>Investment Disclosure</b>	Companies Office Disclose Register <a href="http://www.companiesoffice.govt.nz/disclose">www.companiesoffice.govt.nz/disclose</a> Search Schemes by Scheme Name or Scheme Number (above)
<b>Licensed Manager</b>	Forest Enterprises Limited (FSP37784)
<b>Forest Location</b>	55km north of Gisborne (refer map on page 11)

### Information provided in this report

- How to purchase the shares
- What will the investment cost?
- What is the projected return?
- Cashflow projection
- About the investment
- About the forest and location
- More information available

### Assumptions in this report

- All values and amounts expressed in this report are based on a holding of 200 shares, unless stated otherwise.
- The Indicative Value and the Projected Harvest Return have been calculated using the assumptions set out in this report.
- Changes to the assumptions can have a material effect on the figures quoted in this report.

### Contact us, anytime

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

Visit our website at [forestenterprises.co.nz](http://forestenterprises.co.nz) for further information about investing in forestry with Forest Enterprises, including Frequently Asked Questions.

#### Sean Roberts

#### Customer Services Manager, Forest Enterprises

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## How to purchase the shares

### The tender process

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

To submit an offer, complete and return to us a **Tender Form**. Our contact details are on page 2. Email is the most efficient option.

A Tender Form is available to download from our website at the following link — it includes the Terms and Conditions of your offer.

[https://www.forestenterprises.co.nz/wp-content/uploads/2018/10/Tender-Form\\_New-Investor\\_Secondary-Market.pdf](https://www.forestenterprises.co.nz/wp-content/uploads/2018/10/Tender-Form_New-Investor_Secondary-Market.pdf)

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

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

An Example Deed of Assignment and Power of Attorney is available to read and download from our website at the link below. This Deed outlines the terms of share ownership.

<https://www.forestenterprises.co.nz/wp-content/uploads/2020/09/Example-Deed-of-Assignment-and-Power-of-Attorney.pdf>

### Who can invest?

An eligible Forest Enterprises investor is:

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

### Overseas persons can invest

Overseas persons can invest provided no more than 25% of the investment is held by overseas persons. The Overseas Investment Act 2005 defines an overseas person as an individual who is neither a New Zealand citizen nor ordinarily resident in New Zealand. Contact Forest Enterprises for more information if this is relevant to you.

### Verifying new customer identity

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

This requires us to:

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



## What will the investment cost?

### Indicative valuation range

\$50,700 to \$52,400 for a 200-share holding

An offer at the indicative value of \$50,700 represents an 8% tax paid compounded return per annum over the investment term, while an offer at the indicative value of \$52,400 represents a 7.5% tax paid compounded return per annum.

These indicative values are for a holding of 200 shares in Greenhills Forest and represent the net present value of the Cashflow Projection set out on page 9, assuming a marginal tax rate of 33 cents in the dollar.

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

### Projected future payments

<b>Calls, \$0</b>	Forestry is a contributory investment in nature, where investors pay the funding required each year, in addition to the initial purchase price. Currently there are no projected future payments for one holding of 200 shares in this investment as the Calls are offset by the carbon lease income.
<b>Investor Administration Fee, \$40</b>	The annual Investor Administration Fee of \$40 is paid once per investor per year, regardless of the number of shares held in Greenhills Forest Investment.

### Investment profit / (loss)

Under current New Zealand tax law, any profit each year will be subject to tax at the investor's 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 9, there are no future annual Call payments, therefore the total projected tax savings for one holding of 200 shares in Greenhills Forest are now minimal. Non-residents (such as Overseas Persons, see page 3) should check with their Tax Adviser.

Partners on the Register of Partners at the end of the Limited Partnership's (LP) financial year (31 March) will be allocated the full year's profit or loss for tax purposes pro rata to their respective LP shares. It is important to note that allocation will have no regard to transfers during the year, so any transfer price should reflect the consequences of whether the buyer or seller has paid any Call or received any Distribution during the year of transfer.



## What is the projected return?

\$124,682 gross in years 2023-2034 for a 200 shareholding

For the purposes of the projection, it is assumed that Greenhills Forest will be harvested over 12 years, as part of a Collective Harvest Joint Venture (see below). Refer to page 7 for details on how the projected return at harvest has been calculated.

The table below shows the projected gross (pre-tax) return at harvest for one holding of 200 shares in Greenhills Forest using Forest Enterprises' 36-month average log prices to 31 March 2021. Changes in log prices or costs during the term of the investment will result in a change (increase/decrease) to the projected returns.

<b>Year</b>	<b>Projected annual gross return using 36-month average log prices</b>
2023	\$6,854
2024	\$6,080
2025	\$6,412
2026	\$13,547
2027	\$13,278
2028	\$13,409
2029	\$8,341
2030	\$8,488
2031	\$8,325
2032	\$7,984
2033	\$8,037
2034	\$23,924
<b>Total</b>	<b>\$124,682</b>

### Tax at harvest

Under current tax law, harvest proceeds will be paid to resident investors as a gross amount and investors will be responsible for paying tax at their marginal rate. The net return to investors will depend on their marginal tax rate at the time of harvest. In addition to harvest income, 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 3) should check with their Tax Adviser.

### Selling shares before harvest

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

### Harvest Plan – Collective Harvest Joint Venture

Greenhills Forest Investment is scheduled to harvest by way of a joint venture with three neighbouring Forest Enterprises investment forests. This forest group is referred to as the Parehaka Group. Harvest is scheduled to commence in the 2023 financial year. Greenhills Forest Investment will receive 28.9% of the net harvest proceeds from the harvest joint venture. Greenhills Forest Investment also has a 25.2% share in the Limited Partnership entity which holds the land titles of the four participating investments (Land LP).

Copies of any client communications on the joint venture to date, and financial calculations, can be located at [www.forestenterprises.co.nz/parehaka-group/](http://www.forestenterprises.co.nz/parehaka-group/).





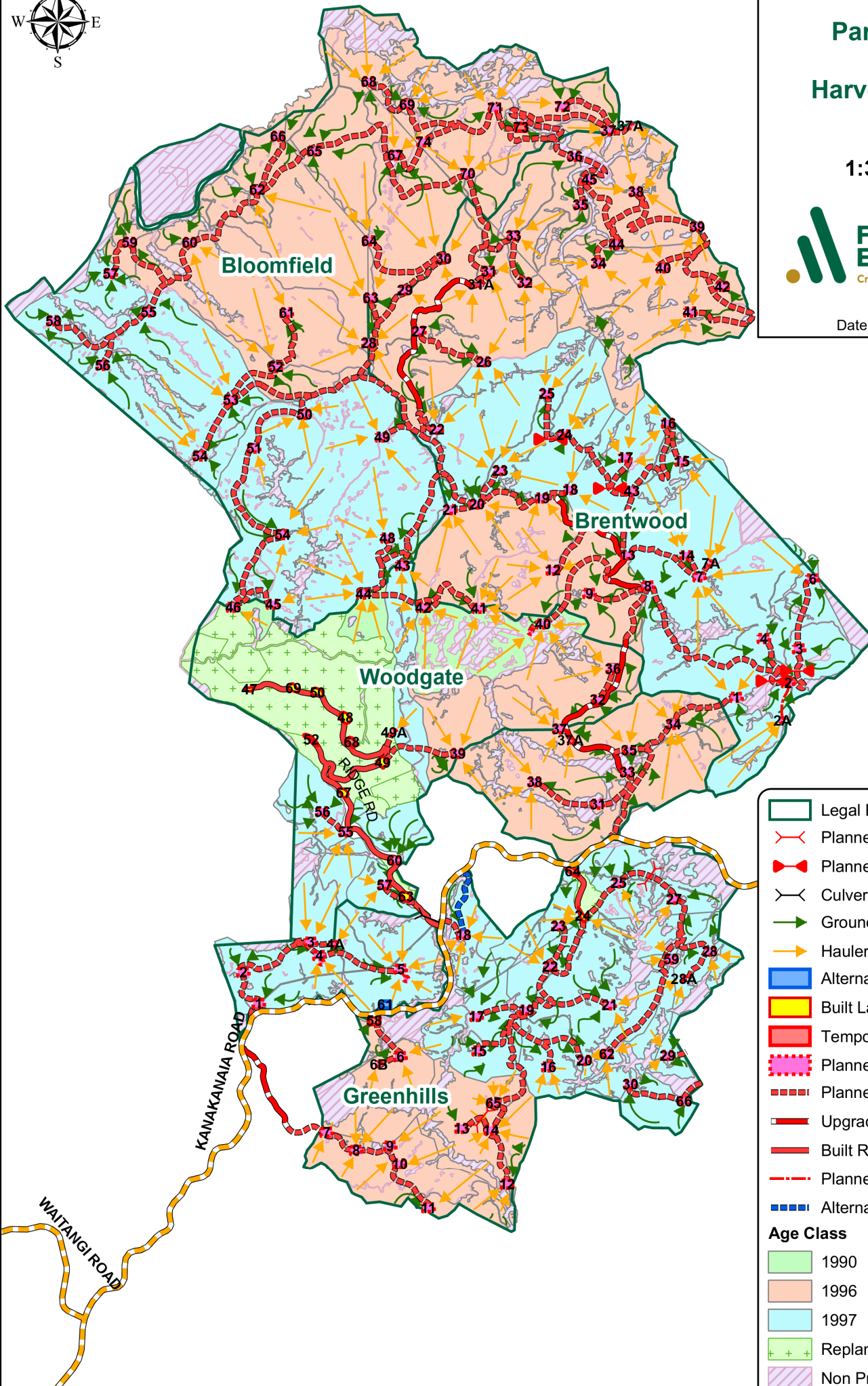
# Parehaka

## Harvest Plan

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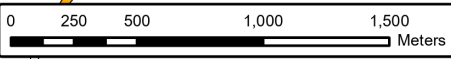
Date: 7/11/2019



- Legal Boundary
- Planned crossfall culvert
- Planned Crossing Culvert
- Culvert
- Ground Based
- Hauler
- Alternative Landing
- Built Landing
- Temporary Landing
- Planned Landing
- Planned Road
- Upgrade Road
- Built Road
- Planned Track
- Alternative

**Age Class**

- 1990
- 1996
- 1997
- Replanted Area
- Non Productive
- Public Road - Metalled



## How has the projected return at harvest been calculated?

### General notes to the cashflow projection

The Cashflow Projection<sup>1</sup> (page 9) reflects our current estimate of the cost of the work to be done or services provided, year by year through to harvest, based upon log prices.

The cashflow for the Parehaka Group Collective Harvest projects stumpage revenue for the harvest of the m3 set out each year. Each forest's share from the collective harvest cashflow is shown in the "Harvest" line of each forest's individual cashflow.

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

Harvest assumptions include —

- The log volumes and grades are based on the latest pre-harvest inventory.
- 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 after the first financial year are Forest Enterprises' 36-month average log prices.
- Harvesting and cartage costs are based upon the costs currently being paid by Forest Enterprises for current harvesting.
- The cost of the roading network required at harvest is substantial. At this stage, a provision of \$11.30/ m3 has been provided for.
- The weighted average split between hauler and ground-based logging has been used for all forests.

Other assumptions include —

- It is assumed that the Land will be sold in the final year of harvest, and the value used is the March 2021 Valuations.
- Replanting of the areas harvested has been assumed to occur in the winter following harvest and the replanted treecrop sold at the conclusion of harvest (in addition to the Land).
- The cashflow above includes the annual \$40 Investor Administration Fee, charged once per investor per year in addition to Calls regardless of the size of shareholding.

The Land LP Cashflow (page 9) has costs for re-establishing the forest following harvest and other land holding costs. It is assumed investors receive payment for the re-established treecrop, plus sale of the land, in the final year. Each forest's share from the Land LP Cashflow is shown in the "Land LP contributions" line of each forest individual cashflow.

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<sup>1</sup> Future distributions in the cashflow projection should be taken as a guide only. Prospective financial information, by its nature, is inherently uncertain. It involves predictions of future events that cannot be assured as well as risks and uncertainties which are often beyond the control of the Manager. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. Various risk factors and the management thereof may influence the future success. Accordingly, actual results may vary from the prospective financial information, and those variations may be significantly more or less favourable. The Manager does not guarantee the achievement of the prospective financial information.



## Net stumpage

The return at harvest is expressed as the net stumpage per hectare. The calculated harvest return is a projection based upon a number of critical assumptions which are outlined in the latest annual financial statements. For Greenhills Forest this is currently projected to be \$53,091.

Volume Harvested	m3	TRV m3/ha	Percentage	Price at PoS (\$/m3)	Harvest Costs (\$/m3)	Log & Load	Harvest Roading (\$/m3)	Harvest Mgt&Mktg (\$/m3)	Harvest Contingency & Levy (\$/m3)	Cartage Costs (\$/m3)	Net Return (\$/m3)	Contribution to Stumpage (\$/ha)
A	181,312	477	57%	137	- 58.1	- 39.0	- 11.3	- 5.0	- 2.8	- 19.8	59.2	28,242
K	33,036	87	10%	122	- 58.1	- 39.0	- 11.3	- 5.0	- 2.8	- 19.8	44.3	3,850
KI	21,797	57	7%	112	- 58.1	- 39.0	- 11.3	- 5.0	- 2.8	- 19.8	34.4	1,975
KIS	9,507	25	3%	102	- 58.1	- 39.0	- 11.3	- 5.0	- 2.8	- 19.8	23.9	598
P30	2,612	7	1%	146	- 58.1	- 39.0	- 11.3	- 5.0	- 2.8	- 19.8	67.8	466
P35	30,095	79	10%	178	- 58.1	- 39.0	- 11.3	- 5.0	- 2.8	- 19.8	100.1	7,931
P40	37,697	99	12%	179	- 58.1	- 39.0	- 11.3	- 5.0	- 2.8	- 19.8	101.1	10,028
<b>Total</b>	<b>316,056</b>	<b>832</b>	<b>100%</b>	<b>141.7</b>	<b>-58.1</b>	<b>-39.0</b>	<b>-11.3</b>	<b>-5.0</b>	<b>-2.8</b>	<b>-19.8</b>	<b>63.8</b>	<b>53,091</b>

## Annual investment costs

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





## Cashflow projection

Taken from the 2021 Collective Harvest by Joint Venture proposal for Parehaka Group. Please refer to the assumptions outlined from page 7.

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

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	TOTAL
<b>COLLECTIVE HARVEST CASHFLOW - GREENHILLS FOREST INVESTMENT</b>													
Financial Year ending 31 March													
<b>EXPENDITURE</b>													
Deductible Expenditure													
Forestry Expenditure													
Land LP contributions (refer to Land LP Cashflow below)	(57,277)	(3,281)	333	4,506	61,213	69,015	111,039	80,552	113,060	171,685	173,600	(2,687,292)	(1,962,847)
Other Expenditure													
Management	10,720	10,720	10,720	10,720	10,720	10,720	10,720	10,720	10,720	10,720	10,720	10,720	128,640
Investor-Admin Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	86,400
Trustees Fees	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	45,000
Audit Fees	3,050	3,050	3,050	3,050	3,050	3,050	3,050	3,050	3,050	3,050	3,050	3,050	36,600
Investment Update & Valuation	910	910	910	910	910	910	910	910	910	910	910	910	10,920
Bank Charges including Borrowing Costs	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Industry Subscriptions & Levies	14,960	14,960	15,290	21,230	21,240	21,570	16,620	16,620	16,610	16,620	16,620	16,610	208,950
Filing Fees & Disbursements	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	15,480
Investor-Meeting Costs	3,500	3,500								3,500			7,000
<b>TOTAL EXPENDITURE</b>	<b>(15,297)</b>	<b>42,199</b>	<b>42,643</b>	<b>52,756</b>	<b>109,473</b>	<b>117,605</b>	<b>154,679</b>	<b>124,192</b>	<b>156,690</b>	<b>218,825</b>	<b>217,240</b>	<b>(2,643,662)</b>	<b>(1,422,657)</b>
<b>RECEIPTS</b>													
Capital Receipts													
Net Current Assets	52,740												52,740
Income Receipts													
Interest	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	11,500
Harvest (refer to Collective Harvest Cashflow below)	1,165,219	1,135,683	1,185,853	2,490,284	2,498,550	2,530,311	1,655,132	1,651,086	1,654,265	1,655,016	1,662,819	1,661,701	20,955,919
<b>TOTAL RECEIPTS</b>	<b>1,218,469</b>	<b>1,136,683</b>	<b>1,186,853</b>	<b>2,491,284</b>	<b>2,499,550</b>	<b>2,531,311</b>	<b>1,656,132</b>	<b>1,652,086</b>	<b>1,655,265</b>	<b>1,656,016</b>	<b>1,663,819</b>	<b>1,662,701</b>	<b>21,020,159</b>
<b>NET CASHFLOW</b>	<b>1,233,756</b>	<b>1,094,484</b>	<b>1,144,210</b>	<b>2,438,528</b>	<b>2,390,076</b>	<b>2,413,705</b>	<b>1,501,453</b>	<b>1,527,894</b>	<b>1,498,575</b>	<b>1,437,191</b>	<b>1,446,579</b>	<b>4,306,363</b>	<b>22,442,816</b>
<b>CASHFLOW FOR EACH INVESTMENT UNIT</b>	<b>180</b>	<b>6,050</b>	<b>6,412</b>	<b>13,547</b>	<b>13,278</b>	<b>13,409</b>	<b>8,341</b>	<b>8,488</b>	<b>8,325</b>	<b>7,984</b>	<b>8,037</b>	<b>23,924</b>	<b>124,682</b>

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	TOTAL
<b>LAND LP CASHFLOW - PAREHAKA GROUP</b>													
Financial Year ending 31 March													
<b>EXPENDITURE</b>													
Deductible Expenditure													
Forestry Expenditure													
Establishment	194,000	191,540	193,740	193,740	382,600	379,150	370,040	235,770	235,660	233,350	228,400	148,780	2,793,030
Tending	27,820	27,980	28,020	26,230	110	110	141,410	135,680	243,050	457,340	448,760	336,730	1,765,190
Maintenance	13,900	13,860	13,760	12,750	12,620	12,500	13,020	12,900	12,810	12,760	13,020	8,180	326,070
Rates													
Other Expenditure													
Mapping & Inventory	41,720	2,490	2,450	2,450	4,150	4,980	4,910	3,500	4,370	4,330	4,260	2,370	40,260
<b>TOTAL EXPENDITURE</b>	<b>238,330</b>	<b>235,770</b>	<b>235,170</b>	<b>235,170</b>	<b>425,970</b>	<b>423,480</b>	<b>557,600</b>	<b>416,130</b>	<b>524,290</b>	<b>736,330</b>	<b>723,810</b>	<b>516,030</b>	<b>5,074,630</b>
<b>RECEIPTS</b>													
Capital Receipts													
Sale of Land & Improvements	269,010	251,350	234,450	217,290	183,060	149,610	116,970	96,480	75,640	55,040	34,920		6,493,000
Income Receipts													
Carbon Lease													
Sale of Second Rotation Trees	269,010	251,350	234,450	217,290	183,060	149,610	116,970	96,480	75,640	55,040	34,920		6,493,000
<b>TOTAL RECEIPTS</b>	<b>227,290</b>	<b>13,020</b>	<b>(1,320)</b>	<b>(1,880)</b>	<b>(242,910)</b>	<b>(273,870)</b>	<b>(440,630)</b>	<b>(319,650)</b>	<b>(448,650)</b>	<b>(681,290)</b>	<b>(688,890)</b>	<b>10,663,857</b>	<b>12,863,707</b>
<b>NET CASHFLOW</b>													
<b>LAND LP CASHFLOW ALLOCATION:</b>													
Bloomfield	30.8%	70,005	4,010	(5,507)	(5,507)	(84,352)	(135,714)	(98,452)	(138,184)	(209,837)	(212,178)	3,284,468	2,399,036
Brentwood	27.9%	63,414	3,633	(4,989)	(4,989)	(76,410)	(122,936)	(89,182)	(125,173)	(190,080)	(192,200)	2,975,216	2,173,152
Greenhills	25.2%	57,277	3,281	(3,33)	(4,506)	(6,121)	(9,015)	(80,552)	(113,060)	(171,685)	(173,600)	2,687,292	1,962,847
Woodgate	16.1%	36,594	2,096	(2,879)	(2,879)	(44,093)	(70,941)	(51,464)	(72,233)	(109,688)	(110,911)	1,716,881	1,254,041
100.0%	227,290	13,020	(1,320)	(1,880)	(242,910)	(273,870)	(440,630)	(319,650)	(448,650)	(681,290)	(688,890)	10,663,857	7,789,077



## About the investment

### Limited Partnership investment structure

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

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

Investors in the Greenhills Forest Investment have limited partner shares in the LP plus an equivalent number of company shares in the GP. The Limited Partnership Agreement requires that the 36,000 issued shares in the GP company partnership, are to be held pro rata to the number of limited partners shares held by the limited partners.

### Limited Partnership is a Managed Investment Scheme

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

The Deed of Scheme Management is the pre-eminent Governing Document of the MIS, and sets out the rights, obligations and duties of the Manager, the Supervisor, the Custodian and the Limited Partners in relation to the MIS including provisions for compliance with the FMC Act.

### Limited liability

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

### Parties involved in providing the investment

<b>Manager</b>	Forest Enterprises Limited	5 Papawai Place, PO Box 128, Masterton
<b>Supervisor</b>	Trustees Executors Limited	Level 6, 10 Customhouse Quay, PO box 3222, Wellington
<b>Financial Auditor</b>	Baker Tilley Staples Rodway Audit Limited	95 Customhouse Quay, PO Box 1208, Wellington
<b>Forest Auditor</b>	Forme Consulting Group Limited	173 Main Road, PO Box 56-030, Tawa
<b>Banker</b>	BNZ	193-197 Queen Street, Masterton

### About Forest Enterprises

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

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

Since we started in 1972 in Masterton, New Zealand we have remained a locally owned and operated business. We have grown to 31 employees in total, including the company's six shareholders — we are professionals in the fields of forestry, land management, accounting and finance, administration, commercial law and marketing.

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

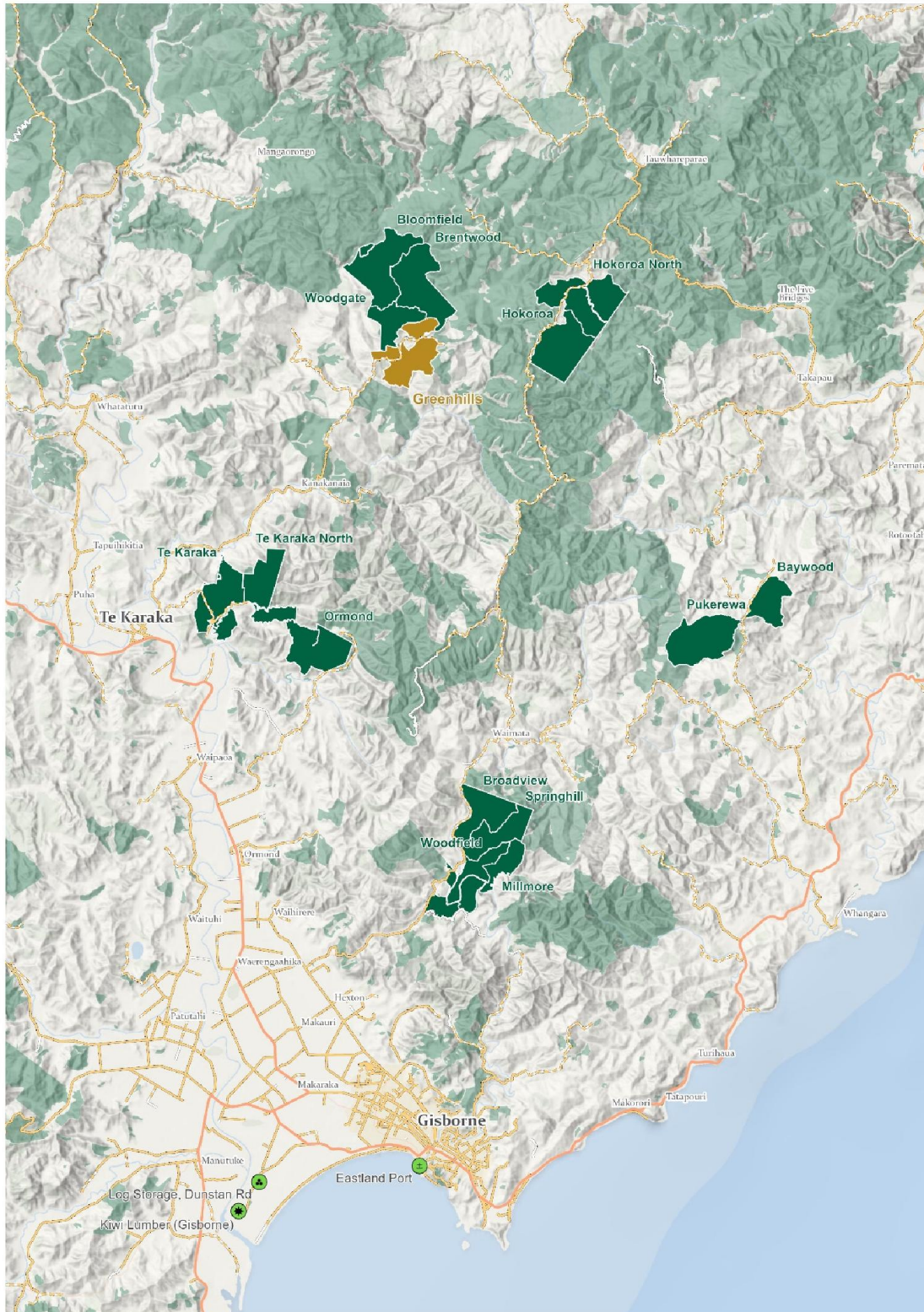


## About the forest

### Location

Greenhills Forest, shown in gold on the map below, is located 55km north of Gisborne, in a property comprising 465.029 hectares. It is adjacent to three other Forest Enterprises forest investments, with several others in the vicinity (shown on the map in dark green).

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



## Property description

The terrain of Greenhills Forest is medium to easy with an extensive road frontage that bisects the block. Ranging in altitude from 200 to 550 metres above sea level, the majority of the property is below 300 metres. Greenhills Forest is surrounded by other forests 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 an annual rainfall of approximately 1,500mm. The site index, a forestry term for the indication of growth potential, had been assessed in the original prospectus as being an average of 32 metres. Following the yield update in 2007, the average site index is now assessed at 37 metres, resulting in an increase of timber volume.

## Forest development status

Greenhills Forest comprises a net-planted area of 382.6 hectares established in 1996, 1997 and 2018 (re table below). Each shareholding of 200 shares represents 2.12 hectares of established forest on land owned by the Investors.

An East Coast Forestry Grant was approved 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. 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).

## ETS Carbon Lease

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

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

## Manager's Report

Each year, an Annual Report and Financial Report (financial statements) are available for investors four months after balance date. The Manager's Report within the Financial Report summarises forest activity for the previous and coming year plus other material management issues.

## Insurance

Forest Enterprises coordinates a bulk insurance policy for the benefit of both its group investment and private clients. Under this policy, each insured peril or type of additional cover in the policy has its own aggregate maximum liability. This insurance approach is generally referred to as 'first loss' i.e. the policy covers any losses during the period of insurance as they occur, but up to a maximum of the nominated sums.

The tree crop is insured by Insurance Facilitators Pty Ltd, an Australian based specialist forestry and crop insurance provider on behalf of and as underwriting agent for HDI Global Specialty SE - Australia (HDI). Standard & Poor's has assigned the financial strength rating of A+ (Strong) to HDI.

The main components of the insurance are:

- The excess is 0.75% of the Sum Insured of each Forest Location with Area Damage, subject to a minimum of \$5,000 and maximum \$225,000 in every Single Cause.
- Windthrow Cover, subject to any proportionate share of the \$6 million global policy maximum.
- Fire Cover, subject to any proportionate share of the \$30 million global policy maximum. The insured value, like the indicative value, is derived by discounting back future cash flows to today's dollars (the discount rate for both valuations is aligned at 7.5%).
- Plantation Re-establishment Costs provides cover for \$2,500 per hectare subject to any proportionate share of the \$5.1 million global policy maximum.



## More information about this investment

This Investment Report should be read in conjunction with the investment's latest annual investment reports, namely the Financial Report.

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

31 March 2021 Financial Report	Includes reports from the Manager, financial auditor and forest auditor, the financial statements, insurance details, and updated budget, investment valuation and projections.
31 March 2021 Annual Report	Prescribed statutory document which includes the fees, details and description of the Scheme.
Deed of Scheme Management (DSM)	The Deed of Scheme Management is the pre-eminent Governing Document of the MIS. It sets out the rights, obligations and duties of the Manager, the Supervisor, the Custodian and the Limited Partners in relation to the MIS including provisions for compliance with the FMC Act including, but not limited to: <ul style="list-style-type: none"> <li>• specific MIS provisions</li> <li>• management of the MIS by the Manager</li> <li>• supervision of the MIS by the Supervisor</li> <li>• custodianship of the MIS's Scheme Property</li> <li>• financial reporting and appointment and duties of the financial auditor of the MIS.</li> </ul>
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.
Parehaka Group Collective Harvest Joint Venture	Client communications, cashflow projections and proposal documents regarding the Parehaka Group Collective Harvest <a href="http://www.forestenterprises.co.nz/parehaka-group/">www.forestenterprises.co.nz/parehaka-group/</a>
Recommended Carbon Lease Proposal – FAQs	Prepared by Forest Enterprises for investors, October 2012
The Impact of the Emissions Trading Scheme on your Forestry Investment	Prepared by Forest Enterprises for investors, May 2009





Water supply for firefighting

January 2016



Aerial inspection

October 2021

