

# Brentwood Forest Investment

## Investment Report

26 November 2023



A holding of 200 shares in the named forest investment available for purchase by tender, facilitated by Forest Enterprises.	
<b>Indicative Value</b>	\$26,374
<b>Distributions - untaxed</b>	\$71,133
<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>Brentwood Forest Investment</b> Only bids for the entire shareholding will be accepted
<b>Indicative Value</b>	\$26,374 at 8% IRR* * tax paid compounded return per annum over the remaining investment term
<b>Distributions - untaxed</b>	\$71,133
<b>Projected Harvest Timing</b>	2024 - 2034
<b>Projected Future Investor Contributions</b>	Ongoing Calls, \$0 per annum Investor Administration Fee, \$42.80 per annum
<b>Investment Structure</b>	Registered Managed Investment Scheme (MIS) SCH10932 <ul style="list-style-type: none"><li>• Brentwood Forest LP (Limited Partnership) 38,000 LP shares</li><li>• Brentwood Forest GP Limited (General Partner) 38,000 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>	58km 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 indicative 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.

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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/2023/07/Tender-Form-New-LP-Investor-July-2023.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/2022/08/Example-Deed-of-Assignment-and-Power-of-Attorney\\_2022.pdf](https://www.forestenterprises.co.nz/wp-content/uploads/2022/08/Example-Deed-of-Assignment-and-Power-of-Attorney_2022.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

\$26,374 for a 200-share holding

An offer at the indicative value of \$26,374 represents an 8% tax paid compounded projected remaining return per annum over the investment term.

The indicative valuation is provided as a basis upon which prospective investors may determine the amount they wish to tender as a purchase price. Changes in the assumptions underlying the Cashflow Projection can have a material impact which may increase or decrease the return. Prospective Investors should therefore take account of this when reflecting on what offer to make. Please see page 6 for the significant assumptions that would impact on the investment return.

## What is the projected return?

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

The cash distributions (pre-tax return) are estimated at \$71,133 and the post-tax income will depend on the buyer's marginal tax rate. A marginal tax of 0% will return a post-tax income of \$71,133, a marginal tax rate of 17.5% will return a post-tax income of \$57,599 and at 33% will return a post-tax income of \$45,612.

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

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

For the purposes of the projection, it is assumed that Brentwood Forest will be harvested over a further 10 years, as part of a Collective Harvest Joint Venture (see below). Refer to pages 6-7 for details on how the projected return has been calculated.

	Distributions (Untaxed)	Taxable Income	Post-Tax Income at a marginal tax rate of 17.5%	Post-Tax Income at a marginal tax rate of 33%
2024	2,637	5,120	1,741	948
2025	3,724	4,642	2,911	2,192
2026	6,888	8,395	5,419	4,117
2027	7,048	8,702	5,525	4,176
2028	6,653	8,140	5,228	3,966
2029	5,037	6,320	3,931	2,951
2030	5,132	6,453	4,002	3,002
2031	4,650	5,888	3,619	2,707
2032	4,642	6,368	3,528	2,541
2033	4,435	6,223	3,346	2,381
2034	20,289	11,087	18,348	16,630
	<b>\$71,133</b>	<b>\$77,338</b>	<b>\$57,599</b>	<b>\$45,612</b>
NPV at 8% Discount rate			<b>\$33,981</b>	<b>\$26,374</b>

Partners at the end of the Limited Partnership's financial year 31 March 2024 will be allocated the full year's profit or loss for tax purposes.

We have amended the year end valuation model to reflect the distributions received by the seller of \$3,400 after Balance Date. The buyer will receive any remaining distributions from settlement date. This is estimated to be \$2,637 (\$6,037 - \$3,400). The buyer will have an estimated tax liability for the year of \$1,689 (33% marginal tax rate) based on an estimated taxable income \$5,120.

### Distributions

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



## Tax

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

### 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

Brentwood Forest Investment is harvesting by way of a joint venture with three other Forest Enterprises investment forests located in Gisborne. This forest group is referred to as the Parehaka Group. Brentwood Forest Investment will receive 26.9% of the net harvest proceeds from the Collective Harvest Joint Venture. Brentwood Forest Investment also has a 27.9% 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/)

### Forest Activity for the Coming Year

Preparation and the replanting of 59.1 hectares of cutover land from last year's harvest, over winter 2023.

Harvesting continues with the planned Collective Harvest of 115.2 hectares. It is projected that 85,195 tonnes of logs are to be extracted from this area. Brentwood Investment's share of budgeted net harvest revenue after roading costs is \$747,390 for 2023/24.

### Impact of cyclones

Cyclone Hale (January 2023) and Cyclone Gabrielle (February 2023) caused extensive damage on the East Coast of the North Island, compounded by an already very wet summer. The Gisborne Tairāwhiti region was particularly hard hit by intense rainfall and flooding. Properties in the Tolaga Bay and Poverty Bay flats were damaged, as well as roads and standing timber. Limited harvesting occurred to recover some wind damaged trees. Loading out was disrupted as truck access from public roads was lost for some weeks.

The Parehaka Group forests incurred some damage to roads and some slips occurred in cutover areas as well as within the standing crop. The slips in logged areas did contribute to some sedimentation and movement of slash. However, the damage was not material and there has been no write down in treecrop value or claim on insurance.

Rehabilitation of roads and crossings within the forests has occurred at relatively normal levels. There has been no breaches of environmental regulation or best practice guidelines considering the nature and scale of the storms.

The Pan Pac sawmill in Napier, a major customer of Forest Enterprises, suffered serious loss of equipment from flooding and is out of commission for an extended period. With the re-opening of roads normal forest operations resumed.



## 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 Gisborne and 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 \$13.88/ 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 Current Rating Valuation.
- Replanting of the areas harvested has been assumed to occur in the winter following harvest and the replanted treecrop sold at the conclusion of harvest (in addition to the Land).
- The cashflow above includes the annual \$40 Investor Administration Fee (increasing 1 October 2023 to \$42.80), charged once per investor per year in addition to Calls regardless of the size of shareholding.

The Land LP Cashflow 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.

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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. The net stumpage for the Parehaka Group of forests is currently projected to be \$33,219 per hectare.

Log Type	Projected Recoverable Volume (m <sup>3</sup> /ha)	Percentage	FE Price at Point of Sale (\$/m <sup>3</sup> )	Total Production Costs (\$/m <sup>3</sup> )	Net Return Stumpage (\$/m <sup>3</sup> )	Contribution to Stumpage (\$/ ha)
<b>Export</b>						
P40	96.0	11.93%	\$181.88	\$93.70	\$88.18	\$8,495
P30	7.0	0.87%	\$141.89	\$93.70	\$48.19	\$319
A	463.0	57.52%	\$128.31	\$93.70	\$34.61	\$16,034
K	82.0	10.19%	\$113.63	\$93.70	\$19.93	\$1,639
KI	58.0	7.20%	\$105.74	\$93.70	\$12.04	\$696
KIS	24.0	2.98%	\$93.98	\$93.70	\$0.28	\$6
<b>Domestic</b>						
P35	75.0	9.32%	\$176.99	\$96.69	\$80.20	\$6,029
<b>Totals</b>	<b>805.0</b>	<b>100%</b>				<b>\$33,219</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

The Cashflow Projection has been prepared subject to the notes and assumptions in this report and has not been audited.

CASHFLOW PROJECTION - Brentwood Forest Investment												
	No. Units											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	TOTAL
Financial Year ending March												
Total Group Hectares Planted	59.1	115.2	90.3	150.0	157.9	157.6	133.9	132.7	123.8	131.5	128.2	1,380.2
Total Group Hectares Harvested	115.2	90.3	150.0	157.9	157.6	133.9	132.7	123.8	131.5	128.2	39.2	1,360.3
<b>EXPENDITURE</b>												
Capital Expenditure												
Depreciable												
Road Formation	469,550	248,140	420,930	443,480	438,160	370,470	369,740	345,280	368,410	360,780	111,500	3,946,440
Parehaka Group Land LP Contribution	105,530	102,660	90,660	139,690	147,150	189,590	208,360	220,590	297,660	321,600	335,240	2,158,730
Deductible Expenditure												
Forestry Expenditure												
Establishment												
Tending												
Maintenance	3,220	2,800	2,360	1,920	1,550	1,180	830	470	110			14,440
Protection	1,610	1,400	1,180	960	780	590	420	230	50			7,220
Insurance	15,620	15,010	13,630	12,100	10,460	9,040	7,490	6,000	4,330	2,620	2,090	98,390
Rates												
<b>Other Expenditure</b>												
Management	14,100	14,100	14,100	14,100	14,100	14,100	14,100	14,100	14,100	14,100	14,100	155,100
Investor Admin Fee	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600	83,600
Trustees Fees	3,830	3,830	3,830	3,830	3,830	3,830	3,830	3,830	3,830	3,830	3,830	42,130
Audit Fees	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660	40,460
Investment Update & Valuation	2,090	2,090	2,090	2,090	2,090	2,090	2,090	2,090	2,090	2,090	2,090	22,990
Legal & Other Professional Fees	18,980	3,000	3,000	4,820	3,000	3,000	3,000	3,000	4,820	3,000	3,000	52,620
Mapping & Inventory	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	11,000
Borrowing Costs & Bank Fees	100	100	100	100	100	100	100	100	100	100	100	1,100
Industry Subscriptions & Levies	9,990	8,560	13,440	14,060	13,620	11,750	11,930	11,310	12,020	11,930	5,440	124,050
Forest Management Certification	6,100	5,660	4,920	4,150	3,360	2,720	2,070	1,460	820	190		31,470
Filing Fees & Disbursements	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	40,700
Investor Meeting Costs	100	100	100	100	100	100	100	100	100	100	100	8,100
<b>TOTAL EXPENDITURE</b>	<b>661,950</b>	<b>424,040</b>	<b>586,960</b>	<b>666,200</b>	<b>660,150</b>	<b>625,080</b>	<b>640,540</b>	<b>625,070</b>	<b>723,120</b>	<b>741,780</b>	<b>493,650</b>	<b>6,838,540</b>
<b>RECEIPTS</b>												
Capital Receipts												
Net Current Assets	591,070											591,070
Sale of Land & Improvements												1,850,000
Sale of NZUs												48,600
<b>Income Receipts</b>												
Carbon Rights	68,380	63,420	55,180	46,510	37,860	30,510	23,220	16,420	9,200	2,160		352,860
Interest	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	11,000
Harvest	1,216,940	1,062,180	1,831,240	1,939,050	1,876,650	1,543,230	1,584,040	1,484,260	1,587,760	1,574,210	501,560	16,201,120
Sale of Second Rotation Trees												1,945,150
<b>TOTAL RECEIPTS</b>	<b>1,809,010</b>	<b>1,131,560</b>	<b>1,895,660</b>	<b>1,995,230</b>	<b>1,924,160</b>	<b>1,582,090</b>	<b>1,615,550</b>	<b>1,508,480</b>	<b>1,605,180</b>	<b>1,584,410</b>	<b>4,348,470</b>	<b>20,999,800</b>
<b>NET CASHFLOW</b>	<b>1,147,060</b>	<b>707,520</b>	<b>1,308,700</b>	<b>1,339,030</b>	<b>1,264,010</b>	<b>957,010</b>	<b>975,010</b>	<b>883,410</b>	<b>882,060</b>	<b>842,630</b>	<b>3,854,820</b>	<b>14,161,260</b>
<b>CASHFLOW FOR EACH INVESTMENT UNIT</b>												
Calendar Year of Call Payment	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	TOTALS
Cash Payable per Unit per Annum	6,037	3,724	6,888	7,048	6,653	5,037	5,132	4,650	4,642	4,435	20,289	74,535
Cash Receivable per Unit per Annum												
<b>TAX ANALYSIS FOR EACH INVESTMENT UNIT</b>												
Tax Year ending March	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	TOTALS
Cashflow per Unit before Tax	6,037	3,724	6,888	7,048	6,653	5,037	5,132	4,650	4,642	4,435	20,289	74,535
Taxation Benefit at 33%	(1,892)	(1,682)	(3,022)	(3,125)	(2,987)	(2,336)	(2,362)	(2,160)	(2,196)	(2,116)	(3,616)	(27,493)
Taxation Payable at 33%												
Cash Payable per Unit after Tax	4,145	2,042	3,866	3,923	3,666	2,701	2,770	2,490	2,446	2,319	16,673	47,042
Cash Receivable per Unit after Tax												





## About the investment

### Limited Partnership investment structure

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

The Brentwood Forest Investment comprises a limited partnership registered under the Limited Partnerships Act 2008 called Brentwood Forest LP (the Limited Partnership, LP) with one general partner which is a registered company under the Companies Act 1993 called Brentwood Forest GP Limited (the General Partner, GP). Investors in the Brentwood 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 38,000 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 Brentwood Forest LP was registered as a MIS under the Financial Markets Conduct Act 2013 (FMC Act) on 28 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 Brentwood 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	Suite 3, 70 Boulcott Street, PO Box 3222, Wellington
<b>Financial Auditor</b>	Grant Thornton (going forward)	Level 15 Grant Thornton House 215 Lambton Quay, 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, Hawke's Bay and Gisborne. 52 of our managed forestry investments have achieved FSC® certification for responsible forest management (FSC® C168647). Forest Enterprises is also the property manager of 15,000 hectares of FSC® certified forestry in the North Island owned by an international impact fund manager (FSC® C151650).

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.

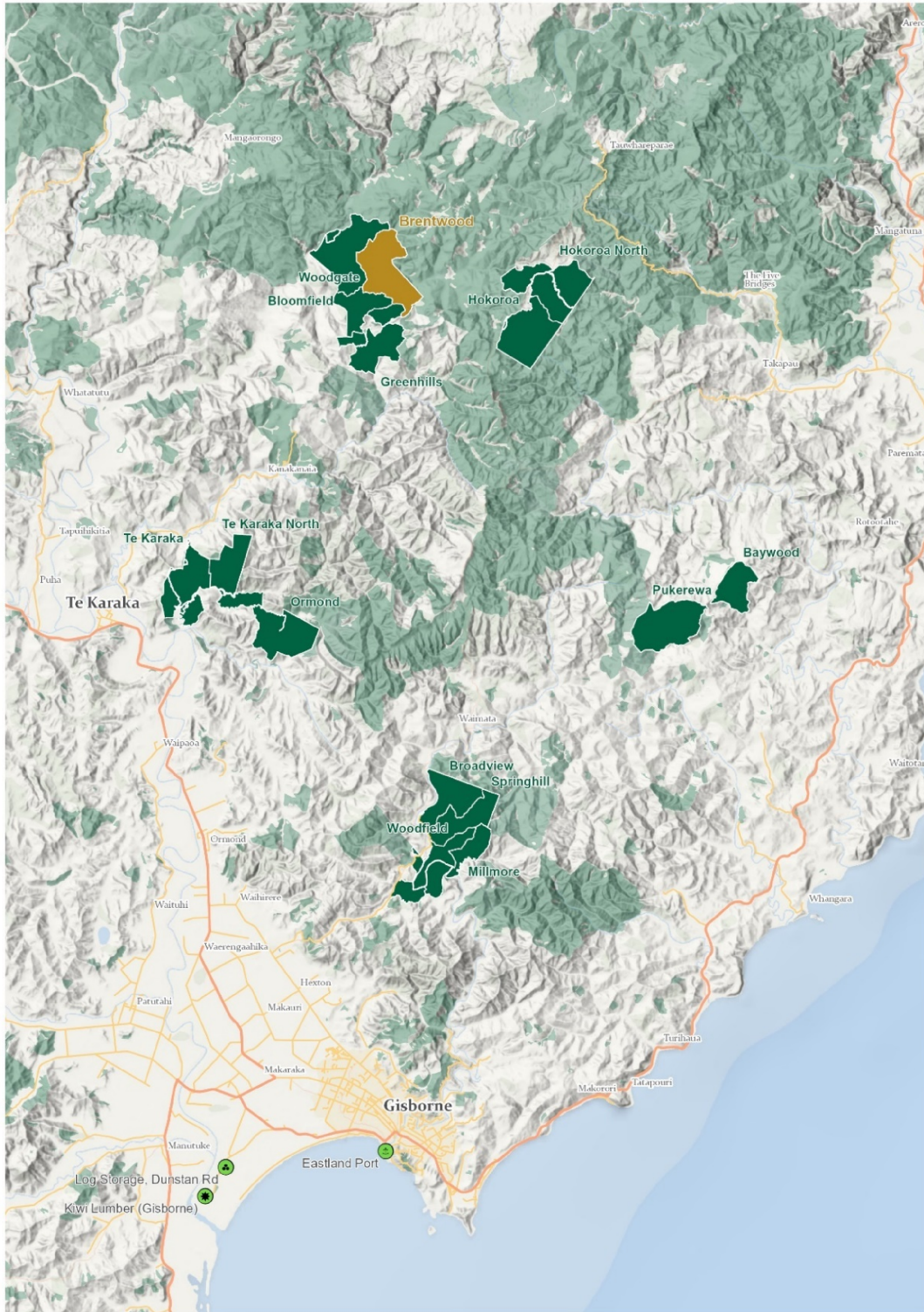


## About the forest

### Location

Brentwood Forest, shown in gold on the map below, is located 58km north of Gisborne, in a property comprising a total of 501.2 net stocked hectares. It is adjacent to three other Forest Enterprises forest investment, with others in the vicinity (shown on the map in dark green).

Approximately 20% 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. Our log export and marketing partner in Gisborne is PFF.



## Property description

The terrain of Brentwood Forest can be described as medium hill country, with most below 350 metres altitude. Brentwood 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 30.0 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

Brentwood Forest comprises a net-planted area of 501.2 hectares established in 1996 and 1997. Each shareholding of 200 shares represents 2.63 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).

There was 86.4ha of harvesting which occurred in 2017/2018.

## ETS Carbon Lease

Brentwood Forest LP entered into a business arrangement in 2012 with a company called New Zealand Forest Leasing Ltd, resulting in the carbon in the Post-1989 areas of the forest being leased in return for annual rental payments. Once harvest of the trees owned by the JV concludes, the ETS registration will be transferred back to the JV. This enables it to benefit from the carbon stored in the second rotation trees whilst placing obligations on it to meet ongoing ETS obligations such as filing emission returns. The participant in the ETS is New Zealand Carbon Leasing (No 1) Limited. It is this company and not Brentwood 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 policy is issued by Sage Partners Limited as Lloyd's Coverholder, considered the main provider of forest insurance in New Zealand. Sage is a wholesale insurance professional and registered Financial Services Provider (FSP740751). It is the managing agent for the Forest Cover insurance facility underwritten by certain Underwriters at Lloyd's of London.

Our managed estate has been organised into four regional groups for insurance – North Gisborne, South Gisborne, Wairarapa and Hawke's Bay – each with its own cover and excess limitations.

General details on the insurance cover in place from 1 September 2023 to 31 August 2024:

- The total aggregate cap across all policies under the Group Scheme is \$9 million on any one claim and event.
- **Fire** – Fire cover, including re-establishment and claim costs, is subject to any proportionate share of a \$7 million cap within the North Gisborne regional insurance group.
- **Excess** – The excess for fire is \$500,000 for the North Gisborne regional insurance group.



- **Public Liability** – Public Liability insurance, including that arising from the Fire and Emergency New Zealand Act 2017, is \$20 million. This is under a separate policy.

**Insured value** – The insured tree crop value for Parehaka Group is \$36,856,622. Like the indicative value, insured value is derived by discounting back future cash flows to present value. The discount rate for insurance is 7.5%.

## 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 2023 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 2023 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





Harvest roading, April 2023.



Trees showing excellent form and growth. April 2023

