

# Winslow Forest Investment

## Investment Report

31 July 2023



Winslow Forest flyover check

Photo Oct 2021

A holding of 200 shares in the Winslow forest investment available for purchase by tender, facilitated by Forest Enterprises.	
<b>Indicative Value</b>	\$17,096
<b>Projected Harvest Return</b>	\$40,203 pre-tax
<b>Forest Location</b>	Gisborne

This Investment Report provides an overview of the Winslow 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>Winslow Forest Investment</b> Only bids for the entire shareholding will be accepted
<b>Indicative Value</b>	\$17,096 at 8% IRR* * tax paid compounded return per annum over the investment term
<b>Projected Harvest Return</b>	\$40,203 pre-tax
<b>Projected Harvest Timing</b>	2024 — 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) SCH10940 <ul style="list-style-type: none"><li>Winslow Forest LP (Limited Partnership) 40,000 LP shares</li><li>Winslow Forest GP Limited (General Partner) 40,000 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 Winslow or Scheme Number (above)
<b>Licensed Manager</b>	Forest Enterprises Limited (FSP37784)
<b>Forest Location</b>	31km southwest 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.

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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 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 - \$17,096 for a 200-share holding

An offer at the indicative value of \$17,096 represents the Net Present Value (NPV) of the post-tax income of \$28,759 (assuming a marginal tax rate of 33%) discounted by 8% per annum over the investment term. This provides the investors with an Internal Rate of Return (IRR) of 8% on the post-tax income.

The indicative value IRR of 8% post tax is based on the IRR% that transactions have historically settled for in the secondary market. This will be amended in the Financial Report for the next reporting period.

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 7 for the significant assumptions that would impact on the investment return.

## What is the projected return?

We now show the Taxable Income per unit in the Cashflow Projection which accounts for depreciation on roading as a taxable deduction over the forecast period which the Cashflow per unit currently excludes.

The cash distributions (pre-tax return) are estimated at \$40,203 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 \$40,203, a marginal tax rate of 17.5% will return a post-tax income of \$34,134 and at 33% will return a post-tax income of \$28,759.

Tax has a significant impact on the income from this investment. The allowable deductions to date have been claimed by the previous owner of these shares and almost all of the income received from the investment is now taxable. In several years, the taxable income is higher than the distributions as the cash spent building roading is greater than the depreciation of the roading built. 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 Winslow Forest will be harvested over 12 years, as part of a Collective Harvest Joint Venture (see below). Refer to pages 7-9 for details on how the projected return has been calculated.

Projected Pre-Tax and Post-Tax Return for 200 Shares as at the last Balance Date of 31 March 2023					
Year	Pre-Tax Income (Distributions)	Taxable Income	Post-Tax Income at 0% Marginal Tax Rate	Post-Tax Income at 17.5% Marginal Tax Rate	Post-Tax Income at 33% Marginal Tax Rate
2024	\$3,428	\$4,231	\$3,428	\$2,688	\$2,032
2025	\$5,406	\$6,604	\$5,406	\$4,250	\$3,227
2026	\$2,838	\$3,121	\$2,838	\$2,292	\$1,808
2027	\$3,018	\$3,231	\$3,018	\$2,453	\$1,952
2028	\$2,208	\$2,154	\$2,208	\$1,831	\$1,497
2029	\$2,180	\$2,105	\$2,180	\$1,812	\$1,485
2030	\$1,751	\$1,669	\$1,751	\$1,459	\$1,200
2031	\$693	\$410	\$693	\$621	\$558
2032	\$3,072	\$3,432	\$3,072	\$2,471	\$1,939
2033	\$2,252	\$2,419	\$2,252	\$1,829	\$1,454
2034	\$13,357	\$5,303	\$13,357	\$12,429	\$11,607
<b>Total Income</b>	<b>\$40,203</b>	<b>\$34,679</b>	<b>\$40,203</b>	<b>\$34,134</b>	<b>\$28,759</b>
<b>NPV at 8% Discount Rate</b>	<b>\$24,861</b>	<b>N/A</b>	<b>\$24,861</b>	<b>\$20,743</b>	<b>\$17,096</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. It is important to note that allocation will have no regard to share sale transactions during the year, so any transaction price should reflect the consequences of whether the buyer or seller has paid any Call or received any Distributions during the year of transfer.

## 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

Winslow 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 Arai Group. Harvest commences during the 2023/2024 financial year. Winslow Forest Investment will receive 19.6% of the net harvest proceeds from the harvest joint venture. Winslow Forest Investment also has a 18.8% 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/arai-group/](http://www.forestenterprises.co.nz/arai-group/).

## Forest Activity for the Coming Year

The planned Collective Harvest of 140.6 hectares. It is projected that 94,001 tonnes of logs are to be extracted from this area. Winslow Investment's share of budgeted net harvest revenue after roading costs is \$717,660 for 2023. Actual harvest revenue is subject to log volumes and grades recovered and log prices and costs applying at the time of harvest. The net result could be more or less than projected, and the difference can be material.

## Impact of cyclones

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

The Arai Group forests incurred significant damage to the treecrop. The total damaged area is approximately 86 hectares. These 86 hectares are damaged to varying degrees. The damaged areas have been assessed in 4 bands from the worst affected areas with no salvageable treecrop remaining to the last band with 25% damage. See below table:

Treecrop Loss Bands	Estimated Hectares Damaged	Effective Hectares Lost
100% Treecrop Loss	18	18
75% Treecrop Loss	51	39
50% Treecrop Loss	16	8
25% Treecrop Loss	1	0
<b>Total</b>	<b>86</b>	<b>65</b>



The aggregate impact of this is for 65 hectares to be written off being windstorm damage area of 40 hectares, slip damage to 24 hectares, and with 1 hectare lost due to flooding.

The insurance the Group holds covers treecrop loss due to windstorm but not treecrop loss due to slips or flooding. The total estimated loss of treecrop value for the Arai Group is \$1,447,600 and the expected insurance proceeds are \$534,863. Winslow Investment's allocation of the treecrop loss is \$283,730 with insurance proceeds estimated at \$104,833.

Note the claim has not been finalised at the date of this report. We have adjusted the treecrop value through the investments financial statements, however the estimated insurance proceeds of \$104,833 have not yet been attributed to the cashflow projection.



## 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 Arai Group Collective Harvest projects stumpage revenue for the harvest of the m3 set out each year.

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.
- For the 12 months to 31 March 2024 log prices are based on Forest Enterprises' 12-month average to reporting date. For the remainder of harvest log prices are based on the 36-month average to reporting date.
- 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 \$13.80/ 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 Projected 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 and harvest revenue 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 Arai Group this is currently projected to be \$31,479.

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	81.8	11%	\$182.04	\$91.79	\$90.25	\$7,384
P30	5.9	1%	\$141.91	\$91.68	\$50.23	\$298
A	421.4	57%	\$128.09	\$91.83	\$36.26	\$15,282
K	78.4	11%	\$113.27	\$91.75	\$21.52	\$1,687
KI	60.1	8%	\$105.59	\$91.84	\$13.75	\$827
KIS	23.6	3%	\$93.65	\$91.76	\$1.89	\$44
<b>Domestic</b>						
P35	70.5	10%	\$176.97	\$92.51	\$84.47	\$5,956
S20	0.0	0%	\$0.00	\$0.00	\$0.00	\$0
S30	0.0	0%	\$0.00	\$0.00	\$0.00	\$0
Pulp	0.0	0%	\$0.00	\$0.00	\$0.00	\$0
<b>Totals</b>	<b>741.8</b>	<b>100%</b>				<b>\$31,479</b>
<b>Average Per Tonne</b>			<b>\$134.32</b>	<b>\$91.88</b>	<b>\$42.44</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 31 March 2023 Financial Report. Please refer to the assumptions outlined from page 7.

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

CASH FLOW PROJECTION - Winslow Forest Investment												
	No. Units 200											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	TOTAL
Financial Year ending March												
Total Group hectares Planted	0.0	140.6	195.1	112.5	111.9	83.4	78.5	75.0	45.8	121.7	107.7	1,072.2
Total Group hectares Harvested	140.6	195.1	112.5	111.9	83.4	78.5	75.0	45.8	121.7	107.7	36.3	1,107.5
<b>EXPENDITURE</b>												
Capital Expenditure												
Depreciable												
Road Formation	277,630	389,030	224,690	224,890	167,820	159,720	151,870	92,760	245,410	217,890	71,430	2,222,120
Land Preparation	8,810	10,570	14,670	8,460	8,410	6,270	5,900	5,640	3,440	9,160	8,100	89,430
Deductible Expenditure												
Forestry Expenditure												
Establishment		59,530	82,920	56,310	57,830	41,770	39,370	36,350	23,950	55,040	48,640	500,750
Tending					130	1,370	58,660	81,650	89,700	142,660	121,860	486,510
Maintenance	1,300	1,710	1,870	1,870	1,920	1,930	1,940	2,000	1,850	1,880	2,020	20,290
Protection		850	940	930	970	960	970	1,000	920	940	1,010	9,480
Insurance	9,170	8,080	7,670	7,150	6,830	6,510	6,200	6,140	5,350	4,740	4,780	72,620
Rates	7,740	7,740	7,740	7,740	7,740	7,740	7,740	7,740	7,740	7,740	7,740	85,140
Other Expenditure												
Management	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	67,100
Investor Admin Fee	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	88,000
Trustee 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	4,420	4,420	4,420	4,420	4,420	4,420	4,420	4,420	4,420	4,420	4,420	48,620
Investment Update & Valuation	2,380	2,380	2,380	2,380	2,380	2,380	2,380	2,380	2,380	2,380	2,380	26,180
Legal & Other Professional Fees	13,700	2,370	2,370	2,370	2,370	2,370	2,370	2,370	2,370	2,370	2,370	37,400
Mapping & Inventory	810	400	550	320	320	630	770	530	440	580	530	5,880
Borrowing Costs & Bank Fees	100	100	100	100	100	100	100	100	100	100	100	1,100
Industry Subscriptions & Levies	8,350	11,260	7,510	7,700	6,340	6,220	6,090	4,600	8,290	7,700	4,050	78,110
Forest Management Certification	3,190	3,000	3,280	3,280	3,380	3,380	3,400	3,500	3,250	3,280	3,540	36,590
Felling Fees & Disbursements	2,780	2,780	2,780	2,780	2,780	2,780	2,780	2,780	2,780	2,780	2,780	30,580
Investor Meeting Costs	100	100	100	100	3,600	100	100	100	100	100	100	4,600
<b>TOTAL EXPENDITURE</b>	<b>358,410</b>	<b>521,250</b>	<b>381,910</b>	<b>348,720</b>	<b>295,270</b>	<b>265,590</b>	<b>313,280</b>	<b>272,030</b>	<b>420,420</b>	<b>481,580</b>	<b>303,790</b>	<b>3,952,550</b>
<b>RECEIPTS</b>												
Capital Receipts												
Net Current Assets	47,760											47,760
Sale of Land & Improvements											1,189,000	1,189,000
Sale of NZUs											336,960	336,960
Income Receipts												
Carbon Rights		34,940	27,880	23,820	19,780	16,770	13,930	11,220	9,570	5,170	1,230	164,370
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	995,290	1,563,470	920,660	927,520	716,080	683,890	648,610	398,410	1,024,250	926,150	301,390	9,108,710
Sale of Second Rotation Trees											1,145,480	1,145,480
<b>TOTAL RECEIPTS</b>	<b>1,044,050</b>	<b>1,602,410</b>	<b>949,550</b>	<b>952,340</b>	<b>736,860</b>	<b>701,660</b>	<b>683,540</b>	<b>410,630</b>	<b>1,034,820</b>	<b>932,320</b>	<b>2,975,110</b>	<b>12,003,290</b>
<b>NET CASH FLOW</b>	<b>685,640</b>	<b>1,081,160</b>	<b>567,640</b>	<b>603,620</b>	<b>441,590</b>	<b>436,070</b>	<b>350,260</b>	<b>138,600</b>	<b>614,400</b>	<b>450,730</b>	<b>8,040,740</b>	
<b>CASH FLOW FOR EACH INVESTMENT UNIT</b>												
Calendar Year of Call Payment												
Cash Payable per Unit per Annum	0	0	0	0	0	0	0	0	0	0	0	0
Cash Receivable per Unit per Annum	3,428	5,406	2,838	3,018	2,208	2,180	1,751	693	3,072	2,252	13,357	40,203
<b>TAX ANALYSIS FOR EACH INVESTMENT UNIT</b>												
Tax Year ending March												
Cashflow per Unit before Tax	3,428	5,406	2,838	3,018	2,208	2,180	1,751	693	3,072	2,252	13,357	40,203
Taxable Income per Unit	4,231	6,604	3,121	3,231	2,154	2,105	1,669	410	3,432	2,419	5,303	34,679
Tax Liability at marginal tax rate of 33%	1,396	2,179	1,030	1,066	711	695	551	135	1,133	798	1,750	11,444
Post-Tax Income	2,832	3,227	1,808	1,952	1,487	1,485	1,200	558	1,939	1,454	11,607	28,759
NPV at 8%	17,096											



## About the investment

### Limited Partnership investment structure

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

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

Investors in the Winslow 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 40,000 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 Winslow 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 Winslow 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	70 Boulcott St, 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, Hawke's Bay and Gisborne. To date, 19 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 29 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 Winslow 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.

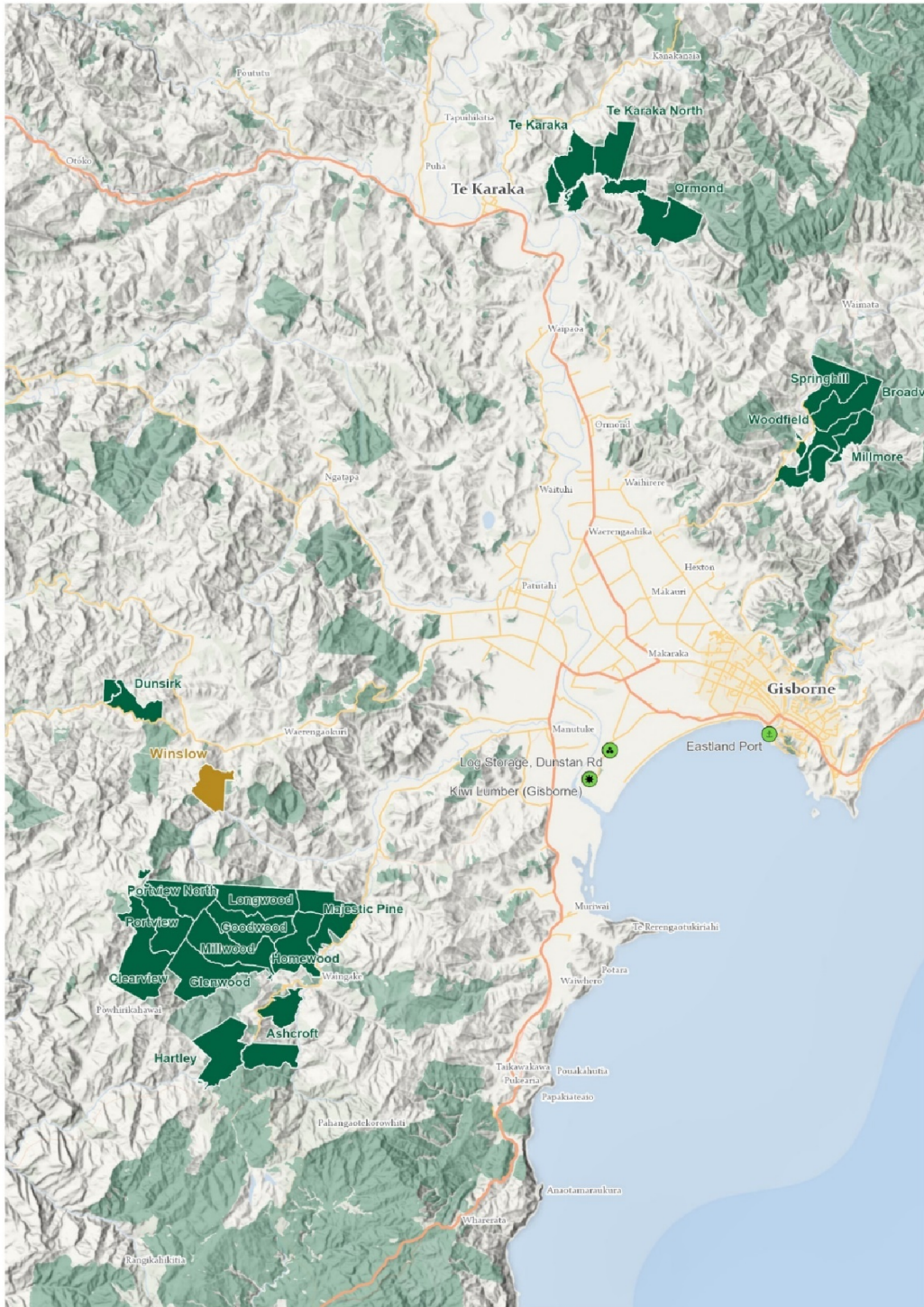


## About the forest

### Location

Winslow Forest, shown in gold on the map below, is located 31km southwest of Gisborne, in a property comprising 217.1 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 Winslow Forest is best described as steep hill country and is typical of East Coast forestland. Winslow 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 evenly spread annual rainfall of between 1,300 and 1,400 mm. The site index, a forestry term for the indication of growth potential, had been assessed in the original prospectus as an average of 31 metres.

## Forest development status

Winslow Forest comprises a net-planted area of 217.1 hectares, established in 1996. Each shareholding of 200 shares represents 1.08 hectares of established forest on land owned by the Investors.

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

Winslow 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 Winslow 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.

## Forest Management Certification

Forest Enterprises holds Forest Stewardship Council® Forest Management and Chain of Custody certification for 19 of our managed investments (FSC® C168647), including Winslow Forest. The forests are managed in accordance with the FSC standards for responsible forest management:





**Environmentally Appropriate:** Protecting and maintaining natural communities and high conservation value forests.

**Socially Beneficial:** Respecting the rights of workers, communities and tangata whenua.

**Economically Viable:** Building markets, adding best value, and creating equitable access to benefits.

FSC is a global, not-for-profit organisation dedicated to the promotion of responsible forest management worldwide. It is the most rigorous international standard for responsible forestry. FSC certified forests conserve biological diversity, water resources and crucial ecosystems. The FSC standard also upholds worker rights and supports economic prosperity in surrounding communities. The FSC Chain of Custody certification ensures that certified wood products are tracked from forest to final product (and if applicable, that qualified recycled materials are used), adding legitimacy to the FSC claim throughout the supply chain.

FSC is not responsible for and does not endorse any financial claims on returns on investments.

## More information about this investment

This Investment Report should be read in conjunction with the investment's latest annual investment reports, Winslow 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 Winslow* 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.
Arai Group Collective Harvest Joint Venture	Client communications, cashflow projections and proposal documents regarding the Arai Group Collective Harvest <a href="http://www.forestenterprises.co.nz/arai-group/">www.forestenterprises.co.nz/arai-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







Entrance off Rockhill Road



Investors at the combined 2022 meeting and forest visit overlooking Gisborne Port

