

Wairarapa Group Forest Investment

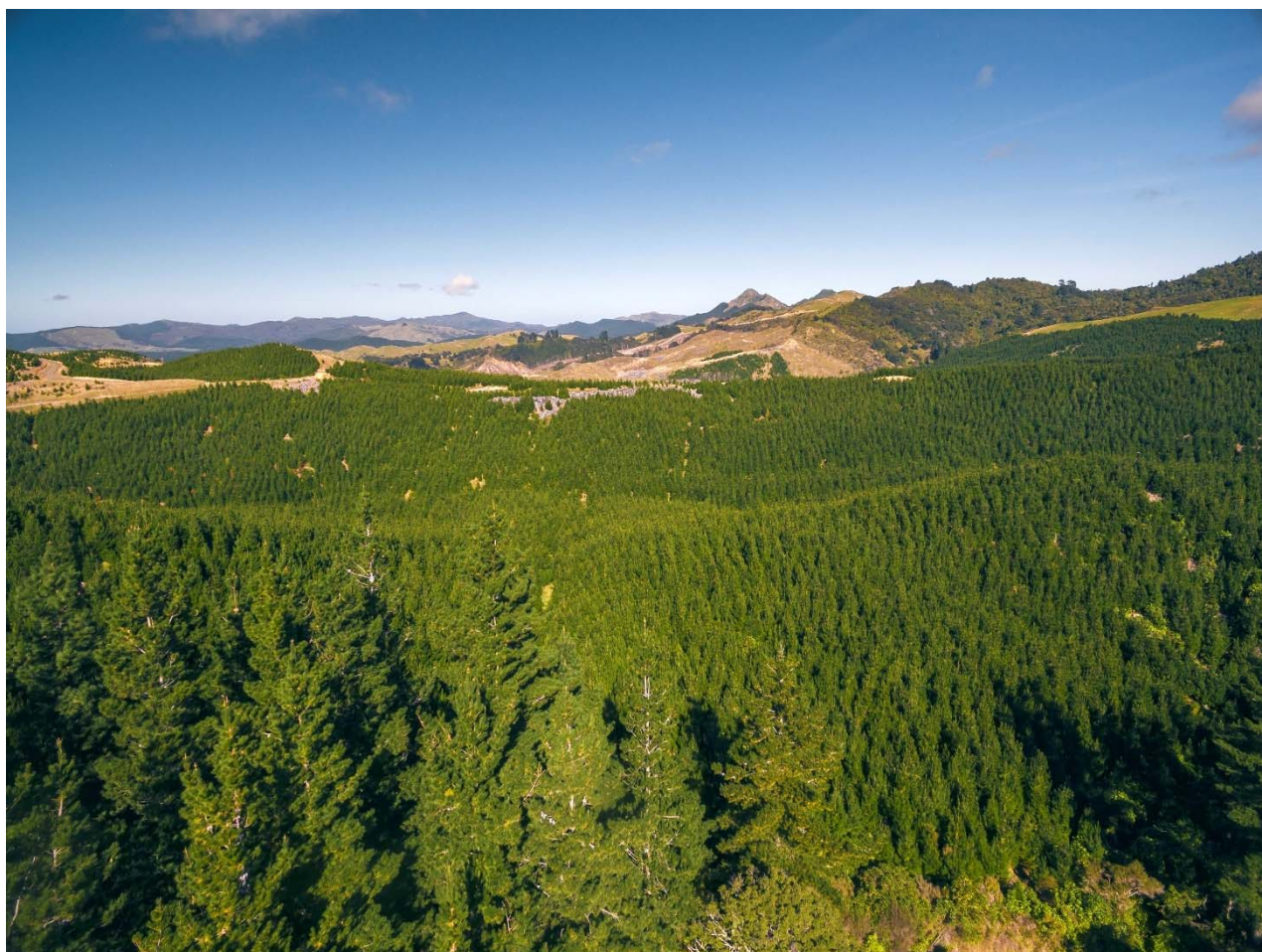
Product Disclosure Statement

An offer of shares in the Wairarapa Group Forest Investment, being a Limited Partnership Structured Investment, offered by Forest Enterprises Growth Limited.

Issued and managed by Forest Enterprises Limited

11 October 2018

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.companiesoffice.govt.nz/disclose. Forest Enterprises Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.



1. Key Information Summary

1.1. What is this?

This is an Offer of shares in Wairarapa Group Forest Investment, a forest-owning **Managed Investment Scheme** (referred to as the 'Investment' or the 'Scheme'). Your money will be pooled with other investors' money and invested. The Manager of the Scheme, **Forest Enterprises Limited (FEL or the Manager)** invests the money in establishing and maintaining the forest assets for eventual harvest. FEL takes fees for this management. The assets and fees are described in this document. By investing in this Scheme, you are relying on the investment decisions of FEL and returns from the forest assets that the Scheme invests in. There is a risk that you may lose some or all of the money you invest.

Key terms and technical words in this **Product Disclosure Statement (PDS)** are defined or explained in the Glossary which can be found from page 43.

1.2. Who manages this Scheme?

Forest Enterprises Limited is the licensed Manager of the Scheme. **Forest Enterprises Growth Limited (FEG or the Offeror)**, a related party of the Manager, is the Offeror of the shares in the Scheme. Refer to Section 10 *About Forest Enterprises Limited and Others Involved in the Scheme* from page 37 for further details.

1.3. What are you investing in?

General nature of the forestry investment

The Scheme has been structured as a long-term contributory investment in 3 young **second rotation** forests in the Wairarapa region held to harvest when over 950 hectares of trees are mature.

The Scheme will conclude in around 27 years when the youngest trees are mature and harvested. The Investment return should commence in 21 years (around 2039) when the 2013 age class trees are harvested under the **Forest Management Plan** and continue for around 6 years until the remaining trees are harvested and Land sold.

A return on investment will be dependent on **stumpage** generated from harvest of the trees, sale of the Land and any replanted **Treecrop** on the Land at that time.

Investment objectives and strategy of the Scheme

The Scheme's investment objective and strategy is to acquire the Land, complete the Forest Management Plan to maximise the value of the Treecrop for eventual harvest and distribute the proceeds to Investors.

Key existing and proposed Scheme property

The main Scheme property is the Land (which is second rotation forestry land, classified as **pre-1990 forest land** under the Climate Change Response Act 2002), plus re-planted trees (established or to be re-established) as follows:

Forest Property	Year Established									
	2005	2009	2013	2014	2015	2016	2017	2018	2019	Total
Awaroa	0.0	0.0	0.0	0.0	0.0	107.9	117.5	33.1	49.4	307.9
Korori	0.0	0.0	33.6	14.2	0.0	43.8	45.3	10.2	0.0	147.1
Rangiora	5.9	2.4	95.8	85.8	83.9	116.2	112.4	12.6	0.0	515.0
Total Area (Hectares)	5.9	2.4	129.4	100.0	83.9	267.9	275.2	55.9	49.4	970.0

Key source of borrowings used, or able to be used, in the future to acquire scheme property

The Scheme can borrow, and the Manager has arranged a term loan facility with the Bank of New Zealand (BNZ) which will be used during the **tending** phase of the forest development to 'smooth' annual investment Calls so that investor contributions are similar amounts each year until **pruning and thinning** is completed. An initial drawdown on the loan of \$250,000 will occur in the first year so there are no Investor Calls until 30 June 2019. The maximum borrowings under the term loan is \$650,000 which will likely occur in 2024.

In addition, the Manager has arranged an operating overdraft with the BNZ of up to \$40,000.



1.4. Key terms of the Offer

Product on Offer	Shares in a Limited Partnership and an equivalent number of beneficially held shares in a General Partner Company of the Limited Partnership.
Minimum Number of Shares Available and Sunset Option	The Offeror offers for sale under this PDS: its 71,379 shares (the minimum number of shares available); and such of the Awaroa Shares that it acquires from the other parties on or before 30 June 2019. The shares are subject to a Sunset Option in favour of FEG, under which FEG can buy back all the shares if it has not been able to sell enough shares in the Scheme by 30 September 2019 to reduce its proportionate interest in the Scheme to 25% or less. In the unlikely event that this were to occur, Investors would be repaid their purchase price + 3% p.a. interest. Once the Sunset Option lapses (when less than 25% of the shares are owned by FEG) or earlier at FEG's discretion, Investors will be notified.
Minimum Initial Shareholding	The minimum initial investment is 200 shares, but you can invest in any number of additional shares.
Price per 200-share parcel	\$9,200 (Additional shares being \$46 per share).
Estimated Future Contributions (Calls) per 200-share parcel	The investment is contributory by nature, therefore Calls are made each year to fund the current year's budget until the trees are mature and ready for harvest. Calls per 200-share parcel are projected to average around \$1,044 per year from 30 June 2019 for 8 years, then drop to average around \$258 per year until harvest commences in or around 2039. Calls for different share parcel amounts will be pro rata to the 200-share parcel example. In addition, the annual \$60 Investor Administration Fee will be charged once per year regardless of the size of shareholding. Calls and timing will vary from the projections as a consequence of changes over time to the work program and prices. These changes may be material although changes to the work program that have a material cost impact are subject to Investor vote.
Failure to pay Calls	Calls are due on 30 June each year to meet the annual budget. Failure to pay Calls would put the Investor in default and subject to forfeiture of their shares as per the governing documents .
Intended Offer Opening Date	11 October 2018
Intended Offer Closing Date	No fixed closing date. Closes when all shares have been sold.
Further Details	For further details on the terms of the offer, see section 3 – Terms of the Offer.

1.5. How you can get your money out

An investment in the Limited Partnership is not redeemable on demand and there is no fixed date on which you may get your money out.

Your investment in these LP shares can be sold but there is no established market for trading these financial products. This means that you may not be able to find a buyer for your investment.

Money will be distributed to investors once harvest proceeds are received from 2039 to 2046. It is anticipated that the investment will end following the sale of the Land in 2046. Provided harvest and the sale of the Land occur according to the projected timetable, the investment term is approximately 27 years. During this projected term, Investors can arrange a private sale of their shares, or can choose to offer their shares for sale on the **secondary market** operated by Forest Enterprises Limited. See Section 5 *How the Wairarapa Group Forest Investment Works* from page 19 for more information.

1.6. Key drivers of returns

The Manager considers that the most significant current and future aspects of the Scheme that will have, or may have, an impact on the Scheme's financial performance are:

- Future log prices
- Crop quality at harvest
- Harvest and roading costs

The scale of the Investment, with a wide geographical spread through the Wairarapa (Bideford, Ngahape and Te Wharau districts) and a seven-year age class spread, should reduce the impact of any short-term impact of price changes. Furthermore, a robust Forest Management Plan, expertise in forestry management by FEG and best practice silviculture contribute to the crop quality at harvest. Further



information about the key drivers or returns and the key strategies and plans of the Manager in respect of those drivers can be found on page 8 Section 2. *Factors that may affect the financial performance and Investors' returns.*

1.7. Wairarapa Group Forest Investment financial information

Returns will not be generated until harvest of the forests over 20 years away, so initially the most useful information is projected Calls each year that Investors pay starting on 30 June 2019. For each parcel of 200 shares, Calls per 200 share parcel are projected to be \$989 on 30 June 2019 and \$1001 on 30 June 2020 plus the annual \$60 Investor Administration Fee paid once each year regardless of the size of shareholding. Calls per 200 share parcel will average around \$1,044 per year from 30 June 2019 for 8 years, then drop to average around \$258 until harvest commences in or around 2039.

Gearing Ratios

Gearing Ratios tell you how much the Investment owes (debt) as a portion of what it owns (assets).

On acquisition of the 3 Forest Properties	0%
At 31 March 2019	5.7%
At 31 March 2020	2.7%

Interest Cover Ratios

Interest Cover Ratios tell you how much the Investment's net income exceeds interest on its loans (as a multiple). As there is no income other than unrealised forest crop fair value increases, the ratio is negative and of less relevance.

At 31 March 2019	-39
At 31 March 2020	-30

Further information on how these amounts are calculated is included from page 23.

Prospective financial information included in this PDS has been extracted from prospective financial statements prepared in accordance with the Financial Reporting Standard 42: Prospective Financial Statements (FRS 42), which are available on the Offer Register. The prospective financial statements to 31 March 2020 have been subject to a limited assurance engagement and an unmodified opinion has been issued by Staples Rodway, a copy of which is also included on the Offer Register. Longer term Prospective Financial Information in accordance with FRS 42, not reviewed by Staples Rodway, are also on the Offer Register.

Valuation of forestry assets

The Scheme purchased the 3 forest properties listed below on or about 31 August 2018. The value of those 3 forest properties, calculated on 31 May 2018 and recalculated in August 2018 was:

Forest Property (Comprising Land and Treecrop)	Vendor	Value August 2018	Percentage of Total Value of Scheme Assets	Consideration Shares in Scheme
Awaroa	Allure Holdings Limited	\$1,241,594	28%	28,621 Shares
Rangiora	FEG	\$2,503,978	58%	57,496 Shares
Korori	FEG	\$622,164	14%	13,883 Shares
		\$4,367,736	100.0%	

The valuation is based on the objective mechanism where the Land component is based on separate independent land valuations carried out by registered land valuers and the treecrop component of the valuation is based on re-establishment costs incurred by the seller of the properties plus holding costs. For a more detailed explanation see *Acquisition of Key Property* on page 12 in section 2.

1.8. Key risks of this investment

Investments in Managed Investment Schemes are risky. You should consider whether the degree of uncertainty about Wairarapa Group Forest Investment's future performance and returns is suitable for you. The price of shares in the Scheme (including the annual Calls on such shares) should reflect the potential returns and the particular risks of these shares in the Scheme. Forest Enterprises Limited considers that the most significant risk factors that could affect the value of the Forestry Investment are:

Crop Risk	The risk of unfavourable climatic events, disease and fire may cause failure of all or part of the treecrop or the forest producing less volume and poorer quality logs at harvest. Mitigating Factors
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	These risks are minimised by careful forest management. Insurance cover is in place to minimise the risk in respect of fire and wind related events. These are second rotation forests with proven history in growing the quantity and quality necessary for a successful tree crop.
Market Risk	<p>The risk associated with changes in supply and demand for pine logs over time resulting in changes in prices.</p> <p>Mitigating Factors</p> <p>The scale of the forests means that harvesting will occur over 7 years and this length of harvest will minimise the impact which cyclical periods of low prices may have on the return.</p>
Operating Environment Risk	<p>The risk that restrictions could be placed on harvesting and/or the cost of compliance increases, the risk of inflation, exchange rate fluctuations and changes in taxation rates and regimes.</p> <p>Mitigating Factors</p> <p>Improvements in harvesting technology and the increased mechanisation of harvesting are trends that are likely to continue to counter compliance cost increases. Cost inflation is likely to be mitigated by revenue inflation. Exchange rate changes and resulting prices changes will be mitigated by the length of harvest as above.</p>
Counterparty Risk	<p>Post-harvest, when the logs are sold, receivables owed to the Scheme which will at various times be held by counterparties such as the buyers of the logs or by FEG as the forestry manager under a Forestry Management Services Agreement with FEL. From this money, the harvest costs are paid, before the resulting net amount is passed back into the custody of the Scheme's Supervisor.</p> <p>Mitigating Factors</p> <p>FEG's marketing and shipping agents require irrevocable letters of credit for payment by overseas buyers. The risk of non-performance by FEG is extremely low because under the FMC Act contracting out by the Manager does not affect the liability of the Manager which remains responsible for the performance of those functions under the Forestry Management Services Agreement.</p>

This summary does not cover all of the risks. You should also read Section 7 *Risks to Returns from Wairarapa Group Forest Investment* from page 29, and other parts in this PDS that describe risk factors.

1.9. What fees will you pay?

The table below summarises the fees and expenses that you will be charged to invest in this Scheme. Further information about fees is set out in Section 8 *What are the Fees?* from page 31.

The fees in the table are an estimate of fees to be charged to the Scheme in the periods indicated. Each individual Investor's share of these expenses will relate to their pro rata share of the Investment. If an Investor purchases the minimum shareholding of 200 shares, the figures would be divided by 500 for the Investor's share.

Set Up Fees		Ongoing Investment Fees & Expenses		
Manager and associated persons.	Period to 31 March 2019	Manager and associated persons.	Period Ended 31 March 2019	Year Ended 31 March 2020
Property Purchase		Base management Fee	\$25,780	\$27,170
Managers Supervision Fee	\$28,918	Forest Activity Supervision Fee	\$36,022	\$53,847
Holding Costs	\$54,933	Non harvest Income Fee	\$0	\$0
Manager's offeror fee / Brokerage	\$100,000	Investment Update and indicative valuation fee	\$5,500	\$5,500
Legal Fees	\$70,000	Harvest Management Fee	\$0	\$0
Other Party Fees.		Investor Meeting Costs	\$0	\$5,000
Legal Fees	\$44,814	Disbursements	\$5,000	\$5,000
Supervisor	\$5,000	Other Fees and Expenses		
PDS, Scheme Registration & FMA Levy	\$6,100	Direct Forestry Expenditure	\$166,883	\$255,100
Assurance Fees	\$6,350	Supervisor's Fees	\$4,250	\$4,250
Total Fees	\$316,115	Audit Fees	\$4,500	\$4,500
		Insurance	\$10,725	\$11,633
		Levies	\$2,500	\$2,500
		Rates	\$5,130	\$6,840
		Interest Charges	\$12,310	\$10,580
		Legal & Other Professional	\$0	\$0
		Contingency	\$5,000	\$5,000
		Total	\$283,600	\$396,920

1.10. How will your investment be taxed?

The Investment is not a portfolio investment entity (PIE). See Section 9 *Tax on* page 35 for more information.





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2. What the Wairarapa Group Forest Investment Invests In

The key features of the Scheme (often referred to as the 'Investment') are as follows.

Statement of Investment Policy and Objectives

The Manager has adopted a **Statement of Investment Policy and Objectives (SIPO)** for the Scheme which sets out the policies, objectives and investment strategies in respect of its forests. A copy of the SIPO is available on the Scheme Register at www.companiesoffice.govt.nz/disclose by searching 'Wairarapa Group Forest Investment' under 'Search Schemes'.

The SIPO sets out that the Scheme's only allowable assets are:

- The Land and Treecrop on the Land;
- Any other assets which relate directly to or arise from investment in the Land and Treecrop on the Land, for example licences permitting farmers to graze stock or beekeepers to maintain hives on the Land, to generate additional revenue;
- Cash deposits with registered New Zealand banks.

The SIPO may be amended by the Manager following consultation with Trustees Executors Limited, the supervisor for the Scheme (Supervisor). Any material amendment, such as a proposed change which would change the nature of the Scheme or be inconsistent with the Forest Management Plan, would be subject to an Investor vote before being implemented. Refer to section 5, for further information on investor decision making powers, set out in the Governing Documents.

Investment Strategy

The investment strategy of the Scheme is to implement the Forest Management Plan on the Land to maximise the value of the Treecrop for eventual harvest and distribute the proceeds to investors.

Given the nature of the Scheme's primary asset (Land and Treecrop on the Land) and its unlisted ownership structure, the Scheme has a long-term investment horizon. The primary objectives of the Scheme are to:

- Preserve and increase the value of the Treecrop by successfully undertaking the Forest Management Plan, and ensuring that the Forest Management Plan is completed to a high standard, attending to necessary forest development and maintenance to infrastructure such as roads.

The nature of the Scheme's investment is that the key determinants of performance only crystallise on the conversion of the Treecrop via the harvest of the Treecrop.

During the term of the Scheme, an indication of the performance of the Scheme is provided in the Annual Report by reporting of -

1. The Investors contributions (Calls paid) to date; and
2. The net cash currently projected from the harvest based upon the assumptions expressed; and
3. The current indicative value of a share in the investment based upon the assumptions expressed.

Investors will also be advised of forest changes that impact on investment performance if they are material. These include, but are not limited to changes in:

- Net stocked area
- Average stems per hectare
- Achievement of the silviculture objectives expressed in the Forest Management Plan
- Projected volume per hectare at harvest



Key Property of the Scheme

The Wairarapa Group Forest Investment consists of 3 forest properties: Awaroa Forest, Korori Forest and Rangiora Forest. Awaroa Forest is located 40km north-east of Masterton in the Bideford district. Korori Forest is located 53km south-east of Masterton in the Ngahape district, and Rangiora Forest is located 42km south-east of Masterton in the Te Wharau district.

These properties were originally planted from farmland into Radiata pine (**pine**), mostly in the 1980s. These **first rotation** tree crops have now been largely harvested and replanted, with the last of the harvesting to occur in 2018 and the last of the replanting to be in 2019. The Scheme does not have any rights to the stumpage from the first rotation tree crops.

Legal descriptions

Awaroa Mangapurupuru Road, 345.40 hectares (ha), CT WN30B/613

Korori Ngahape Road, 193.63ha, CTs WN38B/585 and WN8A/1435

Rangiora Driscoll Road, 604.42ha, CTs WN24B/731, WN31C/494, and WN31C/495 registered FRs

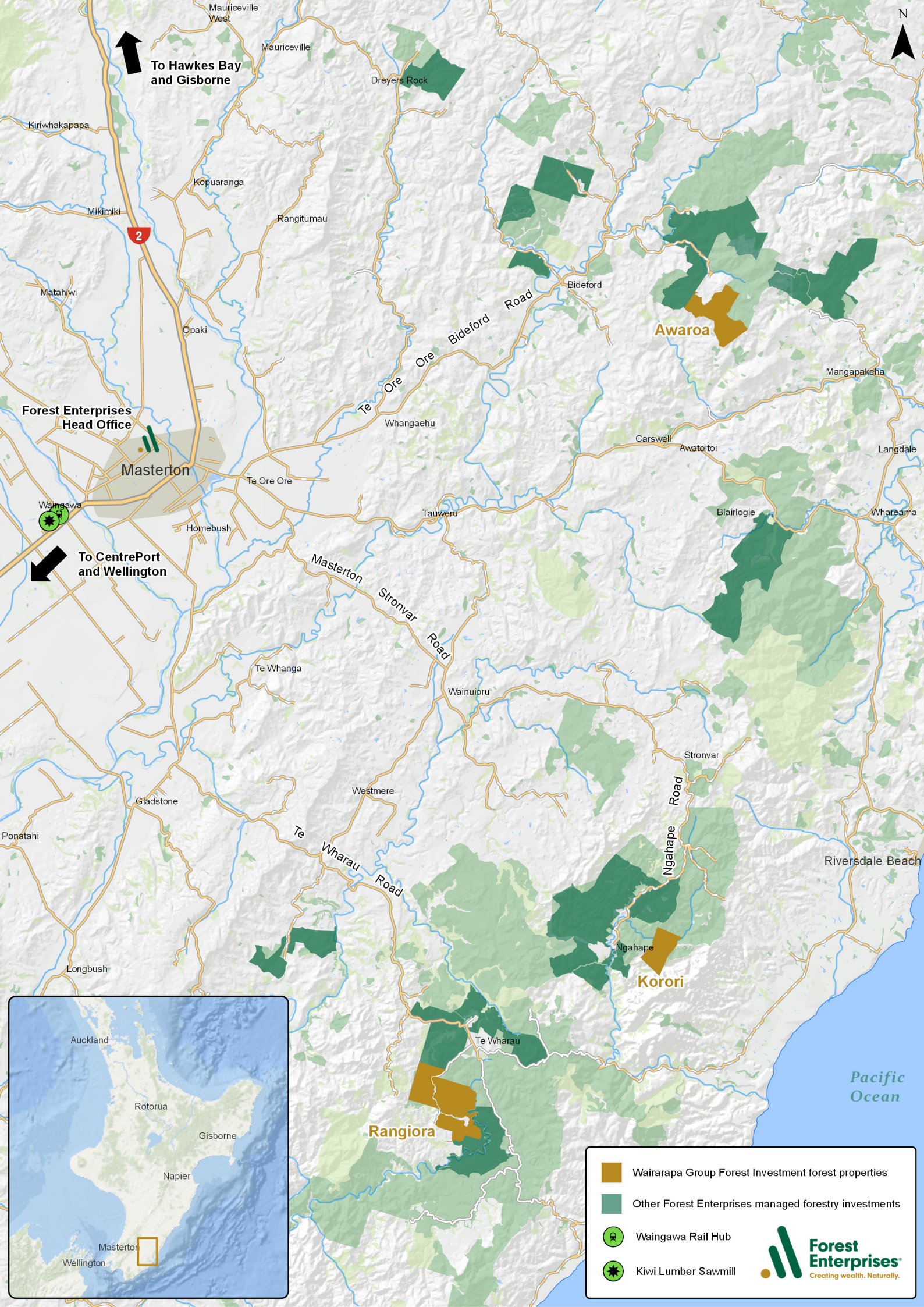
All properties are second rotation forestry land, classified as pre-1990 forest land under the Climate Change Response Act 2002, plus re-planted trees (established or to be re-established) as follows:

Forest Property	Year Established									
	2005	2009	2013	2014	2015	2016	2017	2018	2019	Total
Awaroa	0.0	0.0	0.0	0.0	0.0	107.9	117.5	33.1	49.4	307.9
Korori	0.0	0.0	33.6	14.2	0.0	43.8	45.3	10.2	0.0	147.1
Rangiora	5.9	2.4	95.8	85.8	83.9	116.2	112.4	12.6	0.0	515.0
Total Area (Hectares)	5.9	2.4	129.4	100.0	83.9	267.9	275.2	55.9	49.4	970.0

Areas are based on recent aerial photography and mapping. Updated photography and mapping is undertaken during the life of a forest. It is usual for the measured net stocked area to change with each update and the changes can be material.

Refer to the Wairarapa Group Forest map on the next page.





To Hawkes Bay
and Gisborne

Forest Enterprises
Head Office

Masterton

Awaroa

Korori

Rangiora

Pacific
Ocean

- Wairarapa Group Forest Investment forest properties
 - Other Forest Enterprises managed forestry investments
 - Waingawa Rail Hub
 - Kiwi Lumber Sawmill
- Forest Enterprises**
Creating wealth. Naturally.

How the Scheme Property will be managed

The licensed Manager is Forest Enterprises Limited (FEL) which is responsible for and has the authority to manage the Scheme as expressed in the Governing Documents. In summary, this authority is broad-reaching subject to operating within the terms of the **Deed of Scheme Management (DOSM)** for the Scheme and the Forest Management Plan (Plan) for **establishment**, management and harvest of the forest. Refer to the Offer Register for a copy of the DOSM, the Plan and the audit report of Forme Consulting Group Limited (Forme) on the Plan. John Schrider, Director of Forme has consented in writing to his audit report being mentioned in this Product Disclosure Statement (PDS) and included in the Offer Register and has not withdrawn the consent before the PDS was lodged with the Register.

At all times, the Manager remains responsible for the Scheme, however the coordination and supervision of the field work relating to the Land and Treecrop is contracted out by the Manager to the Manager's parent company, **Forest Enterprises Growth Limited (FEG)**. FEG has the specialist expertise and business relationships to undertake this work under a **Forestry Management Services Agreement** between FEL and FEG. FEG will be responsible for ensuring that the Plan is put in place.

The key personnel of the Manager and the Manager's parent company who will be responsible for managing the Investment and the Property are:

Name	Role
Bert Hughes	Bert is CEO and the Forestry Director. He is a New Zealand Institute of Forestry Registered Consultant, and member of the New Zealand Institute of Directors. Bert will oversee all aspects of the Investment and the Forest as part of his role of overseeing all Forest Enterprises' Managed Investment Scheme forestry investments. Bert's bio is on page 37.
Graeme Tindall	Graeme is the Managed Investments Director. He is a Chartered Accountant and professional member of Chartered Accountants Australia and New Zealand. In conjunction with Bert, Graeme will oversee all aspects of the Investment. Graeme's bio is on page 37.
Gordon Wong	Gordon is Legal Services Director. He is a Barrister and Solicitor, and member of the New Zealand Institute of Directors. Gordon will provide legal oversight of the Investment. Gordon's bio is on page 38.
Malte Coulmann	Malte is a Director of Forest Enterprises Growth Limited. He is a New Zealand Institute of Forestry Registered Consultant, and member of the New Zealand Institute of Directors. Malte is responsible for ensuring that the Forest Management Plan is implemented. Malte's bio is on page 38.

See Section 10 *About Forest Enterprises Limited and Others Involved in Wairarapa Group Forest Investment* from page 37 for further details on those involved.

The purpose of the Offer

FEG, the Offeror of Wairarapa Group Forest Investment and parent company of FEL, acquired the Rangiora and Korori Land and second rotation Treecrop with a view to offering it for sale as a Managed Investment Scheme. FEL established the Scheme which acquired the Korori and Rangiora forest land from FEG, and the Awaroa forest land from Allure Holdings Limited (**Allure**), **in exchange for shares in the Scheme** (the Awaroa Shares). FEL has been syndicating forestry investment since 1972 and previously managed the 3 forest properties acquired by the Scheme for their first rotation.

FEG will use the proceeds from the Offer of the shares to reduce the \$3 million borrowings it incurred in buying the properties from the Korori Forest Partnership and Rangiora Forest Partnership respectively. There is no minimum amount that must be raised before the shares in the Investment are transferred to Investors. However, FEG must sell sufficient shares in the Scheme (including any Awaroa Shares acquired by FEG) to reduce its interest in the Scheme to 25% or less by 30 September 2019. FEG has underwritten the Offer but under the Deed of Scheme Management, FEG must sell down its initial investment to other Investors and cannot be a long-term holder of the shares.

To enable FEG to comply with the requirement that it does not hold more than 25 % of the shares in the Scheme, on 30 September 2019, FEG has the right, under the Deed of Scheme Management, to exercise a Sunset Option and buy back all shares in the investment. In the unlikely event that this were to occur, Investors would be repaid their purchase price + 3% p.a. interest. Once the Sunset Option lapses (when



less than 25% of the shares are owned by FEG) or earlier at Forest Enterprises discretion, Investors will be notified.

Nature of returns

Investors may receive the following returns in respect of their shares:

- **Distributions** of operating cashflows to investors relative to their respective shares once harvest of the 2013 age class trees has commenced. As per the Forest Management Plan, this is expected when trees are around 26 years old in 2039. Any gains will result from the cashflows exceeding the price paid for the Treecrop; and
- Any gains which result from the net sale proceeds of the Land and replanted Treecrop exceeding the purchase price paid for the acquisition of the Land and replanted Treecrop by the Scheme.

Factors that may affect the financial performance and Investors' returns

FEL and FEG do not guarantee the shares offered under this PDS or the projected cash returns to Investors or any payment of returns by the Scheme. Factors that may have the greatest effect on financial performance are as follows:

Factor	Strategy to minimise impact
Future Log Prices	As a long-term Investment of more than 25 years which has no material income until harvest of the trees, log prices at harvest may have the most impact on returns from the investment. Having a seven-year age class spread with the majority of trees planted from 2013 to 2019 helps to reduce the impact of any short-term price movements in log prices.
Crop Quality at Harvest	The scale of the investment, with a wide geographical spread through the Wairarapa (Bideford, Ngahape and Te Wharau districts) should reduce the impact of localised weather events, combined with FEG's management of the Plan.
Harvest and Rooding Costs	The size of the Investment combined with the scale of FEG's other forests under management should place it in a good negotiating position with contractors to achieve competitive rates.

Acquisition of Key Property

The Wairarapa Group Forest Investment has acquired Land and re-established Treecrop in 3 separate second rotation forest properties in the Wairarapa. To facilitate the acquisition of the properties by the Investment, FEG purchased the Rangiora and Korori Forests from the forest partnerships involved in the first-rotation forests with a view to offering them for sale as a Managed Investment Scheme. FEL established the Scheme for this purpose. The Awaroa property was also added to the Investment, with 28,621 of the 100,000 shares (the Awaroa Shares) transferred for its contribution to the Investment.

To determine how many Awaroa Shares to allocate for the contribution of the Awaroa forest to the Investment, the shareholders of Allure Holdings Limited (Allure) (as vendor of the Awaroa forest) were presented with valuations for the 3 forests on 16 May 2018, and agreed that Allure contributed 28.6% of the value of the land and trees to the Investment, on the basis that they had an obligation to replant 33.1 hectares in 2018 and 49.4 hectares in 2019.

FEG considers that the basis of calculation for the number of shares issued to Allure for the Awaroa Forest is an appropriate objective mechanism for calculating the initial values for all 3 forests within Wairarapa Group Forest Investment.

The purchase price of the Land and replanted trees for the 3 forest properties is primarily based on the following objective formula.

1. Land as valued by a Registered Valuer; plus
2. Premium of an additional 10% to 15% of the land valuation paid to the initial vendor that FEG purchased the Land from, based on assessed quality from the Managers knowledge of the first rotation; plus
3. The actual cost of the investment in the second rotation Treecrop to date, plus 3% interest compounded per annum on this Investment; plus
4. Holding costs for Rangiora which had larger areas planted earlier.

The above mechanism is considered the most appropriate way to determine the value of the three forests. In all instances, the land had independent valuations carried out, and these valuations have



been updated in August 2018. Each Registered Valuer has consented to their valuations being referred to in this PDS and included on the Offer Register. The land valuations for Korori and Awaroa Forests remained the same and Rangiora Forest increased from \$1,168,000 to \$1,328,000 from those used on 16 May 2018.

Korori Property

Using the methodology above, the amount paid to the Korori Partnership on 29 March 2018 was \$622,164 as set out in the table below. The amount of \$622,164 is therefore Korori's Contributed Value to the WGF Investment (NSA = Net Stocked Area):

	Description	Amount	Totals	Per NSA
Land	Land Valuation	\$339,000		
	Agreed 10% Premium	\$33,900		
	Total for Land		\$372,900	\$2,518
Trees	Existing Second Rotation Trees @ Cost	\$233,297		
	Compounded @ 3% Per Annum	\$15,967		
	Total for Trees		\$249,264	\$1,683
	Korori Total for Contributed Value		\$622,164	\$4,201

The Scheme will be responsible for replanting the approximate 10.2 hectares to be replanted in 2018.

Awaroa Property

The Awaroa Contributed Value was calculated using the same methodology as used for Korori, plus \$145,775 has been added because one of the terms in the sale and purchase agreement is the **Forestry Right** obligation requiring the seller to fund the replant of the 2018 and 2019 areas, estimated at the time as around 83.3 hectares (based upon a projected cost per hectare of \$1,750). The most recent assessment of area has now changed slightly to be 82.5 hectares.

The resulting calculated Contributed Value by Awaroa to the Wairarapa Group Forest Investment is \$1,241,594, as set out in the table below:

	Description	Amount	Totals	Per NSA
Land	Land @ Valuation	\$695,000		
	Agreed 10% Premium	\$69,500		
	Total for Land		\$764,500	\$2,466
Trees	Existing Second Rotation Trees @ Cost	\$321,565		
	Compounded @ 3% Per Annum	\$9,754		
	Trees to be planted 83.3 has @ \$1,750	\$145,775		\$1,750
	Total for Trees		\$477,094	\$1,539
	Awaroa Total for Contributed Value		\$1,241,594	\$4,005

Total Existing Trees	Per NSA
\$331,319	\$1,461

The Investment will receive as income the actual cost of replanting the 2018 and 2019 trees, and the selling Awaroa Forest Partnership will be responsible for any unders or overs in the costs of replanting Awaroa Forest.

Rangiora Property

FEG purchased Rangiora Forest in October 2017. The purchase price included several exceptional elements compared with the methodology set out above for the Korori and Awaroa purchase.

The following are relevant comments in respect of all three elements of the Rangiora Contributed Value calculation:

Land Cost	<p>The Rangiora land cost included an additional premium of 15% (\$175,200), whereas Korori and Awaroa included a premium of 10% paid to the initial vendor. The Rangiora land valuation is dated July 2017. If the same values per hectare used in the recent Awaroa land valuation dated March 2018 are applied to Rangiora, the land value increases by \$29,000.</p> <p>On a Net Stock Area basis, the Rangiora land cost was \$2,670 compared with \$2,518 for Korori and \$2,466 for Awaroa.</p>
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Tree Cost	<p>The Rangiora tree cost for the existing second rotation trees included an additional premium of 15%. With this premium included, the tree cost per hectare was \$2,168 compared with the same cost for Korori of \$2,518 and Awaroa of \$1,461. Given that the Rangiora and Korori second rotation trees are much older than those of Awaroa, the Net Stocked Area costs compare reasonably.</p> <p>The Rangiora trees planted in 2017 and paid for by Forest Enterprises post purchase are accounted for at their cost of \$144,591 plus Forest Enterprises standard fee of 20%, equalling \$28,918 of forest expenditure for the trees planted 2017. This expenditure of around \$1,538 per hectare compares with the allowance of \$1,750 per Net Stocked Area included in the Awaroa Contributed Value calculation.</p> <p>The Wairarapa Group Forest Investment will pay for the planned 12.6 hectares of Rangiora trees to be planted in 2018.</p>
Holding Costs	<p>The purchase price for Rangiora included payment of \$87,006 for Holding Costs to the date of purchase to the seller of Rangiora Forest.</p> <p>FEG has incurred a further \$54,933 in holding costs since purchasing Rangiora in October 2017 (up to 29 March 2018). These costs comprise \$41,815 in interest on borrowings plus \$13,113 in other costs (such as rates, insurance, maintenance etc). No further Holding Costs will be accounted for other than replanting costs mentioned above. Forest Enterprises will absorb on-going Holding Costs for the Rangiora Forest, and for the more recently acquired Korori Forest from 29 March 2018 (other than re-establishment being carried out in 2018).</p> <p>The total Holding Costs of \$141,939 represent a further \$282 per Net Stocked Area.</p>

	Description	Amount	Totals	Per NSA
Land	Land at Valuation	\$1,168,000		
	15% Premium	\$175,200		
	Total for Land		\$1,343,200	\$2,670
Trees	Existing Second Rotation Trees at Cost	\$677,773		
	Compounded at 3% Per Annum	\$58,906		
	Additional Premium of 15%	\$108,651	\$845,330	\$2,168
	2017 Trees Planted by Forest Enterprises	\$144,591		
	20% Supervision for Replanted Trees	\$28,918	\$173,509	\$1,538
	Total for Trees		\$1,018,839	\$2,026
Holding Costs	Holding Costs paid to Rangiora	\$87,006		
	Forest Enterprises Holding Costs	\$54,933		
	Total for Holding Costs		\$141,939	\$282
	Rangiora Total Contributed Value		\$2,503,978	\$4,978

Sales price paid by Wairarapa Group Forest Investment

The table below summarises the calculated values to Wairarapa Group Forest Investment for the three forest properties acquired by the Scheme.

Forest Property	Land Value	Treecrop Value	Total Value
Awaroa	\$764,500	\$331,319	\$1,095,819
Rangiora	\$1,423,915	\$1,080,063	\$2,503,978
Korori	\$372,900	\$249,264	\$622,164
Sub Total	\$2,561,315	\$1,660,646	\$4,221,961
Awaroa Forestry Right Obligation			\$145,775
Total			\$4,367,736

If an Investor purchases the minimum initial shareholding of 200 shares, the Investor's application cost will include \$8,735 relating to the purchase of the 3 forest properties.



Borrowings

Under the Deed of Scheme Management, any borrowings require Investors to pass an **ordinary resolution** authorising the borrowings other than the borrowing set out in this section.

An initial drawdown on the term loan of \$250,000, which has been arranged through a term loan facility from the BNZ, will occur in the first year so there are no investor Calls until 30 June 2019. The maximum borrowings under the loan is \$650,000, which will occur in or around 2024.

The purpose of the subsequent borrowings, is that during the tending phase of the forest development, the annual Calls will be “smoothed” so that Investor contributions are similar amounts each year until pruning and thinning is completed. See further “Borrowing Maturity Profile” in section 6.

In addition, the Manager has arranged an operating overdraft with the BNZ of up to \$40,000.

The land for the 3 forest properties will be held as first mortgage security by BNZ for the borrowings, including the overdraft facility. The floating interest rate for the term loan facility is 5.48% at the date of the PDS. There are no financial covenants relating to the term loan. The term loan facility will need to be extended or refinanced at the end of its initial 5-year term, as the facility will be required through to July 2027.



3. Key Dates and Offer Process

Key Dates	Offer Process
11 October 2018	Intended Offer Opening Date
No fixed closing date	Offer closes when all shares have been sold.
From 24 October 2018	Shares are transferred to Investors
31 August 2018	On or about this date, settlement of the acquisition of the Rangiora, Korori and Awaroa properties occurred.
30 June (Annually)	Calls are due on 30 June each year to meet the annual budget. Failure to pay Calls would put the Investor in default and subject to forfeiture of the investment as per the governing documents.
30 September 2019	The Offeror has the right to buy back all shares, if it still owns more than 25% of the shares on 30 September 2019. In the unlikely event of this occurring, investors would be returned their purchase price + 3% p.a. interest.

The timetable is indicative only and the dates may change. The Manager also reserves the absolute right in its sole discretion to accept or reject any application in whole or in part without assigning any reason.



4. Terms of the Offer

Product on Offer	Shares in a Limited Partnership and an equivalent number of shares beneficially held in a General Partner Company of the Limited Partnership.
Offeror	Forest Enterprises Growth Limited (FEG)
Minimum number of shares available for sale by the Offeror	<p>There are 100,000 shares in the Scheme. The Offeror currently holds 71,379 shares and the remaining 28,621 shares (the Awaroa Shares) are held by other parties.</p> <p>The Offeror offers for sale under this PDS:</p> <ul style="list-style-type: none"> its 71,379 shares (the minimum number of shares); and such of the Awaroa Shares that it acquires from the other parties on or before 30 June 2019.
Minimum Initial Shareholding	The minimum initial investment is 200 shares, but you can invest in any number of additional shares.
What is the minimum amount payable to invest?	<p>Initially \$9,200 for 200 shares (additional shares are \$46 per share) , then annual Call amounts from 30 June 2019.</p> <p>See <i>Estimated Future Contributions (Calls) per 200-share parcel</i> below</p>
Intended Offer Opening Date	11 October 2018
Intended Offer Closing Date	No fixed closing date. Closes when all shares have been sold.
How can investment be made?	<p>You may invest with a minimum initial application of \$9,200 (200 Shares).</p> <p>Applications must be completed on the application form contained after Section 13 <i>How to Apply</i> on page 42.</p> <p>TO ENSURE YOUR APPLICATION IS ACCEPTED, PLEASE READ THE APPLICATION INSTRUCTIONS IN THAT SECTION CAREFULLY.</p> <p>No applications can be accepted if all shares have been sold.</p> <p>There is no continuous offer of shares in the Scheme.</p> <p>The Investor will need to satisfy the Manager's anti-money laundering requirements and must execute the Limited Power of Attorney.</p>
Estimated Future Contributions (Calls) Per 200-share parcel	<p>The investment is contributory by nature; therefore, Calls are made each year from 30 June 2019 to fund the current year budget until the trees are mature and ready for harvest.</p> <p>Calls per 200-share parcel are projected to average around \$1,044 per year from 30 June 2019 for 8 years, then drop to an average around \$258 until harvest commences in or around 2039 when the 2013 trees are in their 26th year. Calls for different share parcel amounts will be pro rata to the 200-share parcel example.</p> <p>In addition, the annual \$60 Investor Administration Fee will be charged once per year regardless of the size of shareholding.</p>
Failure to pay Calls	Calls are due on 30 June each year to meet the annual budget. Failure to pay Calls would put the Investor in default and subject to forfeiture of the investment as per the governing documents.



How can I withdraw my investment?	<p>An investment is not redeemable on demand and has no fixed term, but is generally until harvest of the youngest trees.</p> <p>You may only withdraw if:</p> <ul style="list-style-type: none"> • You sell your shares to a third party (such as via the secondary market facility operated by the Manager) after the Hold Period – refer to page 22 for more details, or • A resolution is passed to wind up the Scheme and sell the forest assets, or • The forest has been harvested and the land sold. <p>The limitations on when (and how) a resolution is passed to wind up the Scheme and sell the forest, are set out in the Governing Documents.</p>
What are the returns and when are distributions paid?	<p>Returns will commence once cashflow from harvesting the 2013 age class trees is generated. It is expected that this will occur around 2039. Returns should continue for around 6 years until harvest of the 2019 age class trees is completed.</p> <p>A return on investment will be dependent on log prices at time of harvest, sale of the land and any replanted Treecrop at that time. Although not guaranteed, the cashflow in Section 6 <i>Wairarapa Group Forest Investment Financial Information</i> from page 23 sets out these estimates.</p> <p>Distribution payments are likely to be made at quarterly intervals once cashflow from harvest has commenced.</p>
Offeror Sunset Option	<p>The shares are subject to a Sunset Option in favour of FEG, under which FEG can buy back the shares if it has not been able to sell enough shares in the Scheme by 30 September 2019 to reduce its proportionate interest in the Scheme to 25% or less. In the unlikely event that this were to occur, Investors would be repaid their purchase price + 3% p.a. interest. Once the Sunset Option lapses (when less than 25% of the shares are owned by FEG) or earlier at FEL's discretion, Investors will be notified.</p>
Offeror Voting Rights	<p>If FEG is still holding shares for sale under this PDS, it will be deemed to have cast the votes associated with the Offeror's Shares in the same proportions as the votes cast by the other Investors.</p>

Further terms relating to Wairarapa Group Forest Investment are set out in the Governing Documents (the Deed of Scheme Management and the **Limited Partnership Agreement**). These documents along with the GP Company Constitution are available on the Scheme Register at www.companiesoffice.govt.nz/disclose by searching 'Wairarapa Group Forest Investment' under 'Search Schemes'.



5. How the Wairarapa Group Forest Investment Works

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

Limited Partnership and General Partner

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

Investors in the Wairarapa Group Forest Investment have limited partner shares in the LP plus **beneficial ownership** of an equal number of corresponding company shares in the GP which are held in bare trust for the Investors by the Manager. The Limited Partnership Agreement requires that the 100,000 beneficially owned shares in the GP company are held pro rata to the number of LP shares held by the **limited partners**.

Although FEG is offering both LP shares and GP shares, with the latter being equity securities, the Offeror relies on clauses 18 to 20 of the Financial Markets Conduct (Forestry Schemes) Exemption Notice 2016 which specify that as the GP has been incorporated solely for being the general partner of LP, and Investors will beneficially own the GP shares, with decision making rights, there are no disclosure and reporting requirements in the FMC Act relating to the GP shares.

Limited Partnership is Managed Investment Scheme

The registered MIS has been structured as a LP. The LP is an 'other managed investment scheme' for the purposes of the FMC Act and, accordingly, in certain places, this PDS refers to the LP as a 'Scheme' or the 'Investment'.

The Deed of Scheme Management (DOSM) together with the Limited Partnership Agreement, constitute the Governing Documents of the Wairarapa Group Forest Investment for the purposes of the FMC Act. These, along with the GP Company Constitution and SIPO, are available to read and download from the Scheme Register at www.companiesoffice.govt.nz/disclose by searching 'Wairarapa Group Forest Investment' under 'Search Schemes'.

It is a requirement of the Limited Partnerships Act 2008 that a limited partnership has a written partnership agreement which governs the affairs of the limited partnership and the conduct of its business. In accordance with the Limited Partnerships Act, the Limited Partnership Agreement provides for essential terms relating to the business of the Limited Partnership; distributions; meetings of limited partners; the powers, duties and liabilities of the General Partner; assignment of shares; conflict of interest policy; and how the Limited Partnership terminates. However, in order to avoid duplication and to have the terms governing the Limited Partnership in a central document, most of these terms are set out more fully in the DOSM.

Trustees Executors Limited is a licensed supervisor under the Financial Markets Supervisors Act 2011 and has been appointed the Supervisor of the Wairarapa Group Forest Investment in accordance with the FMC Act.

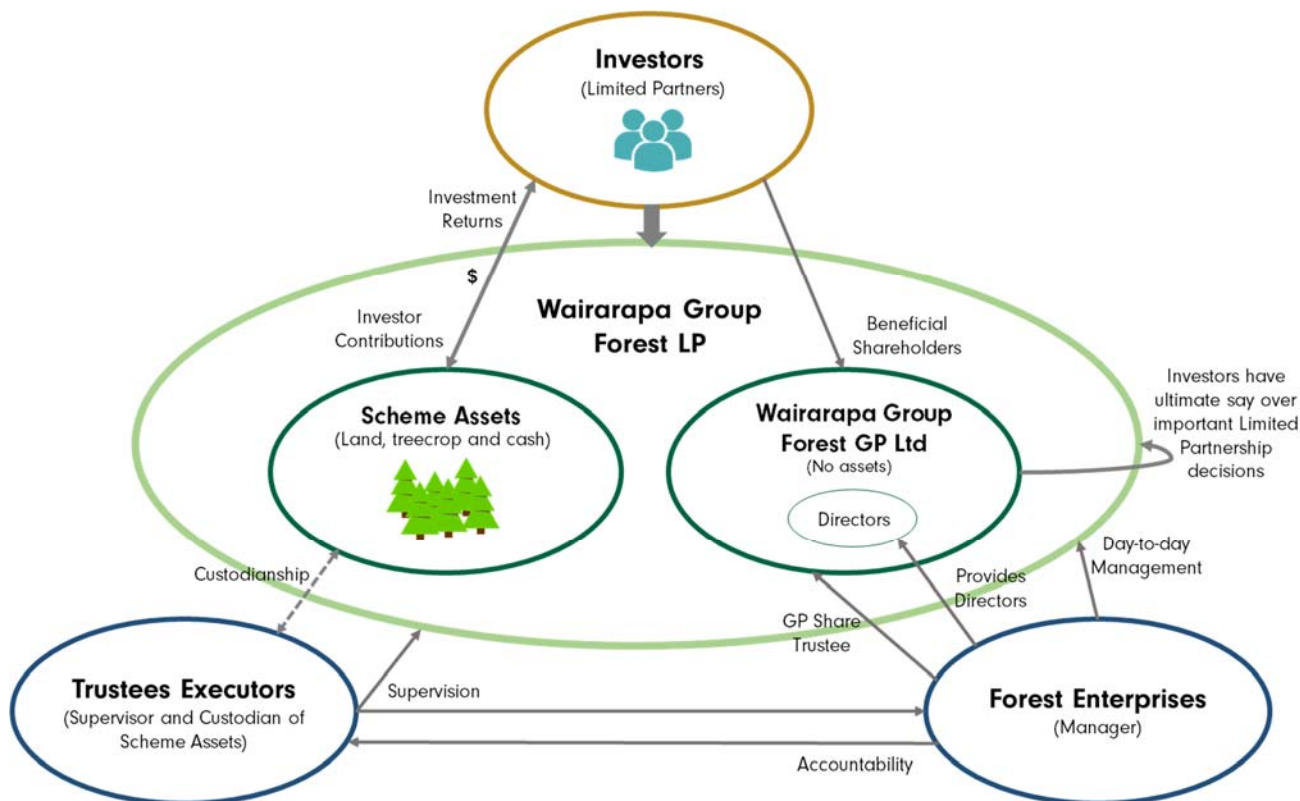
Trustees Executors Limited is also given a limited Power of Attorney by the Investors to facilitate the efficient administration of the Scheme. It is also **Custodian** of the Scheme assets.

Deed of Scheme Management is pre-eminent Governing Document

The Deed of Scheme Management is the pre-eminent Governing Document of the MIS, and sets out the rights, obligations and duties of the Manager, the Supervisor, the Custodian and the Limited Partners in relation to the MIS including provisions for compliance with the FMC Act including, but not limited to:

- specific MIS provisions
- management of the MIS by the Manager
- supervision of the MIS by the Supervisor
- custodianship of the MIS's Scheme Property
- financial reporting and appointment and duties of the financial auditor of the MIS
- right of Manager to sell a defaulting Investor's shares (e.g., due to non-payment of a Call, or failure to provide required information)





What is a Limited Partnership (LP)?

Investors are offered the opportunity to invest in the LP (a New Zealand limited partnership) that has acquired the forest Land and Treecrop and become a limited partner in the LP. Under the limited partnership structure, limited partners have limited liability (so long as they do not take part in the management of the LP, which is described further below). An LP is a separate legal person from its limited partners and general partner.

Each LP share confers equal rights and obligations on each Investor in respect of entitlements to income and capital from the LP, and each share will confer one vote upon the holder in respect of matters on which Investors are entitled to vote under the Limited Partnership Agreement and the DOSM.

The Custodian will hold the title to the Property in its name for the LP. The interrelationship between the Investors (as limited partners), the LP and the GP (Investors being beneficial shareholders) is set out in the DOSM.

Forest Enterprises Limited (FEL), as licenced Manager of the Scheme, is responsible for the day-to-day management and investment administration of the Scheme. The general partner of the LP has the power to direct the Manager to follow decisions made by shareholders of the GP. Forest Enterprises Growth Limited (FEG) provides forest management and harvesting services under contract to FEL.

The General Partner, Wairarapa Group Forest GP Limited (GP), has been incorporated to act as the general partner of the LP in accordance with the Limited Partnership Agreement. A general partner is only liable for any debts or liabilities of the limited partnership to the extent they have not been met by the limited partnership. To protect the general partner, it has been set up as a limited liability company. The directors of the GP are -

Mr G M Tindall Mr H E Hughes Mr G B Wong

(The Directors are Officers of the Manager in accordance with the Limited Partnership Agreement.)

The shareholder of the GP is FEL as nominee shareholder for all Investors. Each Investor has beneficial ownership of an equivalent number of shares in the GP as they have in the LP. Investment decisions will be made by Investors as beneficial shareholders in the GP. The **Beneficial Shareholder Direction Process** is the process by which Investors will instruct the GP Share Trustee to vote on important shareholder decisions.



A full list of decisions requiring Investor approval are set out in the GP Constitution and in the Governing Documents. These include any decision on:

- Change of business
- Any borrowings other than those set out in this PDS
- Material variation of the Forest Management Plan
- Any change in Managers Fees

These Investment decisions by Investors in the GP are allowable under the Limited Partnerships Act, without compromising the limited liability of limited partners.

Power of Attorney

In order to facilitate the efficient administration of the Investment, every Investor appoints the Supervisor their attorney under a limited Power of Attorney to:

- Appoint a director of the General Partner as a proxy (if not attending) for quorum purposes and to waive any irregularity in the notice of meeting or approve a change in a resolution purely of a technical nature;
- To vote on any procedural approval required for share assignments;
- To approve and sign any technical, correcting, or non-material changes to the Governing Documents; and
- To vote on any resolution of a formal or technical nature which will benefit the Limited Partnership, but has no material adverse effect for the Investor.

Significant benefits of investing in the Investment

The significant benefits of investing as a limited partner in the Limited Partnership are:

- The projected returns set out in Section 6 *Wairarapa Group Forest Investment Financial Information* from page 23.
- The ability to have an investment in forestry that would not typically be available to Investors who are only able to invest an initial minimum of \$9,200, with further annual contributions averaging \$1,044 for 8 years from 30 June 2019, then much smaller amounts until harvest.
- The investment in the LP is passive with active day-to-day management (including preparation of accounts, forest and harvest management, payment of distributions and obtaining any limited bank financing) being handled by the Manager. However, key decisions are still made by Investors.
- The LP structure enables the GP to conduct the business of the LP, while the Investors, as limited partners, have limited liability so long as they do not take part in the management of the LP. The LP has been structured to avoid Investors taking part in management.

Investment Business

The business of the Scheme is the establishment, maintenance, management and harvesting of the Treecrop on the Land in accordance with the Forest Management Plan together with the performance of all statutory or other legal requirements relating to the business, and to undertake such further business consistent with the Statement of Investment Policy and Objectives (the SIPO) as may be approved by special resolution of the shareholder of the GP (subject to the Beneficial Shareholder Direction Process).

Contributory Investment

The Scheme is contributory by nature. The Investment requires Investors to meet their share of the annual budget to undertake all work relating to the management of the Forest Assets (including field work relating to the Treecrop and the Land), plus the costs arising from managing the Scheme.

This obligation on Investors manifests itself in one Call for funding each year on 30 June. More funding is required in the early years to meet the silviculture costs relating to the management of the Treecrop. This funding is required unless the Scheme has sufficient cashflow arising from the management of the assets, which ordinarily only occurs when the Treecrop is being harvested.

Calls are payable on the due date advised and non-payment places the Investor in default. Failure to act on a default can result in the forfeiture and compulsory sale of the Investor's shares in the Scheme. The



Manager is granted a limited Power of Attorney by Investors to sell a defaulting Investor's shares under the DOSM.

Call payment options are:

- Direct Debit – investor authorises Forest Enterprises to automatically debit Calls when due
- Direct Credit – investor pays the Call via electronic funds transfer
- Cheque
- Visa or Mastercard – credit card fees will apply, refer to *Investor fees if applicable* on page 32

For those investors wanting to prefund the ongoing Calls from their own bank account, the Manager can advise an estimate of the required amount, then Calls can be paid each year by direct debit from their bank account.

Tax deductibility

The Limited Partnership is not separately assessable for tax purposes. Its tax consequences pass through directly to the Limited Partners in proportion to their shareholding. In the early years until silviculture is completed, Investors will enjoy higher tax deductions. Refer to section 9 on page 35 for further details.

Ability to sell before harvest

Investors can arrange a private sale of their investment at any time.

FEL operates a secondary market for the sale and purchase of shares in their existing forestry investments. The purpose of the market is to enable existing Investors to liquidate their investment and to allow prospective Investors to purchase investments in established forests. Forest Enterprises acts as intermediary and operates an open tender for bids and communicates all bids to sellers, who have the option to accept or reject any bid by a prospective buyer.

Until FEG has sold all its shares under the Offer (as well as any additional Awaroa Shares it acquires), there is a Hold Period where Investors will not be able to sell their shares on the secondary market.

The fees for selling on the secondary market are a \$375 listing fee and a brokerage fee of \$350 for sales values up to \$10,000 and an additional 2% over \$10,000.

Related party benefits

FEG is the parent company of the Manager.

Forest and Harvest Management will be undertaken by FEG under a Forestry Management Services Agreement. Each of the Manager and FEG negotiated and entered into this contract acting independently and in its own best interests. The Manager considers that the contract and all transactions under it are on arms' length commercial terms. In any event, the Manager pays fees to FEG for its Forestry Management services out of the management fees and expenses payable to FEL as authorised under the Deed of Scheme Management. Therefore, FEG cannot be paid any more than that payable to the Manager, if the Manager was to carry out the services itself.



6. Wairarapa Group Forest Investment Financial Information

The Scheme's Limited Partnership entity (Wairarapa Group Forest LP) was registered on 26 June 2018 and commenced business on or about 31 August 2018, therefore there are no completed financial periods.

Selected Financial Information

The table below provides selected financial information about Wairarapa Group Forest Investment. Full prospective financial information from 31 August 2018 to 31 March 2019 (7 months) and from 1 April 2019 to 31 March 2020 (12 months) is available at www.companiesoffice.govt.nz/disclose by searching 'Wairarapa Group Forest Investment' under 'Search Offers'. If you do not understand this sort of financial information, you can seek professional advice.

Forecast Investment Contributions Required:

7 months to 31 March 2019	\$4,600,000
12 months to 31 March 2020	\$494,500

Each Investor pays their proportionate share of these contributions based on the size of their shareholding in Wairarapa Group Forest LP (LP). If the minimum initial investment size of 200 shares is applied for, then \$9,200 is payable on application and the first annual Call of \$989 + annual \$60 Investor Administration Fee (regardless of investment size) is payable on 30 June 2019.

Forecast Tax Deduction Available:

Because Investors are investing in a New Zealand limited partnership, they will need to account for tax on the taxable income (loss) in their individual tax returns, rather than simply on the cash contributions paid or distributions received. The forecast tax deduction for the following periods are

7 months to 31 March 2019	\$247,607	Note \$18,607 increase for tax depreciation
12 months to 31 March 2020	\$431,623	Note \$126,278 increase for tax depreciation

If the minimum initial investment size of 200 shares is applied for, then the forecast tax deduction available to offset against other income is \$495 for the period ending 31 March 2019 and \$863 for the year ending 31 March 2020.

Prospective Financial Information

The purpose of the prospective financial statements is to assist Investors in assessing the viability of and return on funds invested. This PDS and the prospective financial information may not be appropriate for any other purpose.

The prospective financial information included in the tables that follow has been extracted from prospective financial statements prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (FRS 42) which are available on the Offer Register. The prospective financial statements for the period to 31 March 2019 and the year ending 31 March 2020 have been subject to a limited assurance engagement and an unmodified opinion issued by Staples Rodway, a copy of which is also included on the Offer Register. Staples Rodway has consented in writing to their review report being mentioned in this PDS and included in the Offer Register and has not withdrawn the consent before this PDS was lodged with the Register.

Separately available on the Offer Register is prospective financial statements for the Expected Life of the Scheme, these have not been reviewed by Staples Rodway.

Gearing Ratios

Gearing Ratios tell you how much the Scheme owes (debt) as a portion of what it owns (assets). The higher the gearing ratio, the higher the risk to the LP as it indicates that a higher portion of the LP's assets will need to be applied to repay its debt.

Gearing is based on the Prospective Statement of Financial Position. The carrying value of the forest property is deemed to represent the consideration paid plus ongoing silviculture costs. The Manager believes this is the most reasonable assumption, rather than discounted cashflow analysis at this stage.



On acquisition of the 3 Forest Properties	0%
At 31 March 2019	5.7%
At 31 March 2020	2.7%

Interest Cover Ratios

Interest Cover Ratios tell you how much the Scheme's net income exceeds interest on its loans (as a multiple). The higher the ratio, the more comfortably the Scheme's income can cover any interest owing (and the lower the risk to the Scheme).

In this case, as there is no income other than unrealised forest crop fair value increases, the ratio is negative and of less relevance as investor Calls factor in debt servicing.

At 31 March 2019	-39
At 31 March 2020	-30

Borrowing Maturity Profile

Refer to *Borrowings* in Section 2 on page 15 for further information on Term Loan Borrowings.

The Maturity profile is as follows:

Financial Year Ending 31 March	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balance at Start of year (\$)	\$0	\$250,000	\$130,000	\$80,000	\$175,000	\$250,000	\$400,000	\$650,000	\$400,000	\$125,000
Borrowings (\$)	\$250,000			\$95,000	\$75,000	\$200,000	\$200,000			
Repayments (\$)		\$120,000	\$50,000					\$250,000	\$275,000	\$125,000
Balance at End of Year (\$)	\$250,000	\$130,000	\$80,000	\$175,000	\$250,000	\$450,000	\$650,000	\$400,000	\$125,000	\$0



Summary of Principal Assumptions in the Cashflow Projection on the Expected Life of the Investment (on the following pages)

The Cashflow Projection has been derived from GAAP compliant Prospective Financial Information (available on the Offer Register). Although this information is of a long-term nature, it is, in the Manager's view, relevant for basing investment decisions on a forestry investment where there are continuing financial commitments over the life of the investment.

The best information that can reasonably be expected to be available to base the forest assumptions on is the Forest Management Plan, which has been audited by John Schrider of Forme Consulting Group Limited, a Registered Forest Consultant of the NZ Institute of Forestry. The Forest Management Plan and audit report are both available on the Offer Register.

The Forest Management Plan has assumptions about the timing of silvicultural work and harvesting of the forest. In line with common forest practice, 2018 dollars have been used for the costs of the work programme and stumpage has been assumed using projected yields from forest growth modelling software, using the last 36 month's average prices for the expected log grades to be harvested.

Actual costs and timing will vary from the projections as a consequence of changes over time to the work program and prices. These changes may be material although changes to the work program that have a material cost impact are subject to Investor vote.

Given the purpose and objective of the Prospective Financial Information is to give investors a sense of future costs and returns for the expected life of the Scheme in the context of this one rotation focused forestry investment, inflation of 2% per annum has been assumed from 1 April 2020 in the preparation of the projections. Historical inflation over the last 30 years and the present target of 1-3% support the use of 2% in the projections.

Harvest assumptions (also available in more detail in the Forest Management Plan available on the Offer Register) include –

- Harvest is anticipated when the trees are in their 26th year. The volume estimates produce recoverable volume of 665 tonnes per hectare.
- Area attrition of 2% has been allowed between establishment and harvest.
- A sales scenario based upon a range of markets achieved during the first rotation harvest including Masterton and the Port of Wellington as the points of sale has been used.
- Log prices are based on Forest Enterprises Growth Limited's (FEG) actual achieved 36-month average prices to 30 June 2018 (subject to inflation adjustment set out above).
- Production costs to the point of sale have been based on \$69.03 per tonne based on 2018 dollars (subject to inflation adjustment set out above).

Average stumpage per hectare is \$36,735. If June 2018 spot prices had been used rather than 36-month average prices, this would have increased to \$46,237. Assuming inflation of 2% per year this increases average stumpage from \$36,735 in 2018 dollars to \$57,735. Refer further to page 28 for Sensitivity Analysis and Return on Investment. Refer also to page 8 of the Other Material Information document on the Offer Register for a Cashflow Projection prepared in 2018 dollars.

Other assumptions (in addition to the harvest assumptions) include –

- It is assumed that the Land will be sold in the final harvest year at the purchase price (adjusted for inflation).
- 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 excludes the annual \$60 Investor Administration Fee, charged once per investor per year in addition to Calls regardless of the size of shareholding.

NOTE: Future Calls and Distributions in the Cashflow Projection should be taken as a guide only. Prospective Financial Information(PFI), 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 success of the Scheme's business. Refer further to *Risks to Returns* in section 7 from page 29. Accordingly, actual results may vary from the PFI, and those variations may be significantly more or less favourable. The Manager does not guarantee the achievement of the PFI.



Summary of Cashflow over Expected Life of the Investment

CASHFLOW PROJECTION - Wairarapa Group Forest Investment															
No. Investment Units (200 Shares)	500														
Financial Year ending March 2019		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
Hectares Planted		55.9	49.4												
Total Hectares Harvested															
EXPENDITURE															
Capital Expenditure															
Non Depreciable															
Land and Improvements	See note below	4367736	90000												
Preliminary Expenses		232264													
Mortgage Repayment			120000	50000					250000	275000	125000				
Deductible Expenditure															
Forestry Expenditure															
Establishment		102610	87400	1877											
Tending		65430	187610	331745	492005	479783	588302	606935	113810	102566					
Maintenance		27830	27830	28387	28954	29533	30124	30727	31341	31968	32607	33259	33925	34603	
Protection		1390	1460	1489	1519	1549	1580	1612	1644	1677	1711	1745	1780	1815	
Inventory												15668			
Mapping		3000	1820	2734	2872	594	541								
Insurance		12870	13960	14729	15523	16343	17189	18052	18953	19884	20844	21822	22844	23898	
Rates		5130	6840	6977	7116	7259	7404	7552	7703	7857	8014	8174	8338	8505	
Other Expenditure															
Management		25780	27170	27713	28268	28833	29410	29998	30598	31210	31834	32471	33120	33782	
Investor Admin Fee															
Supervisor Fees		4250	4250	4335	4422	4510	4600	4692	4786	4882	4980	5079	5181	5284	
Audit Fees		4500	4500	4590	4682	4775	4871	4968	5068	5169	5272	5378	5485	5595	
Investment Update & Valuation		5500	5500	5610	5722	5837	5953	6072	6194	6318	6444	6573	6704	6839	
Legal & Other Professional Fees															
Borrowing Costs & Bank Fees		12310	10580	6540	10100	14900	25050	37050	28700	12570	2850	1000	1000	1000	
Industry Subscriptions & Levies		3000	3000	3060	3121	3184	3247	3312	3378	3446	3515	3585	3657	3730	
Disbursements		5000	5000	5100	5202	5306	5412	5520	5631	5743	5858	5975	6095	6217	
Investor Meeting Costs			5000	510	520	531	541	5520	563	574	586	598	6095	622	
Contingency		5000	5000	5100	5202	5306	5412	5520	5631	5743					
TOTAL EXPENDITURE		4883600	606920	500495	615228	608243	729638	767532	514000	514608	249515	141328	134224	131890	
RECEIPTS															
Capital Receipts															
Net Current Assets		-20600	20600												
Sale of Land & Improvements															
Borrowings		250000			95000	75000	200000	200000							
Income Receipts															
Forestry Right		54200	91575												
Grazing															
Interest															
Harvest															
Sale of Second Rotation Trees															
TOTAL RECEIPTS		283600	112175		95000	75000	200000	200000							
NET CASHFLOW		-4600000	-494745	-500495	-520228	-533243	-529638	-567532	-514000	-514608	-249515	-141328	-134224	-131890	
CASHFLOW FOR EACH INVESTMENT UNIT (200 Share parcel)															
Calendar Year of Call Payment		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Cash Payable per Unit per Annum		-9200	-989	-1001	-1040	-1066	-1059	-1135	-1028	-1029	-499	-283	-268	-264	
Payable on Application		-9200													
Payable 30 June			-989	-1001	-1040	-1066	-1059	-1135	-1028	-1029	-499	-283	-268	-264	
Cash Receivable per Unit per Annum															
TAX ANALYSIS FOR EACH INVESTMENT UNIT															
Tax Year ending March		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
Cashflow per Unit before Tax		-9200	-989	-1001	-1040	-1066	-1059	-1135	-1028	-1029	-499	-283	-268	-264	
Taxation Benefit at 33%		163	285	365	461	446	518	536	198	178	98	105	89	87	
Taxation Payable at 33%															
Cash Payable per Unit after Tax		-9037	-704	-636	-579	-620	-541	-599	-830	-851	-401	-178	-179	-177	
Cash Receivable per Unit after Tax															

Refer to assumptions on the previous page.

Note: Land and Improvements

\$4,367,736 represents the value of the 100,000 shares in the Scheme which were issued to the sellers of the 3 forest properties. No cash has or will change hands for this transaction other than the Awaroa Forestry Right contribution to the Scheme of \$145,775. Refer to the "Awaroa Property" on page 13 for further details on the \$145,775 arising from the Forestry Right. The Prospective Financial Statements on the Offer Register show issued capital of \$4,221,961 (\$4,367,736 - \$145,775) in the period to 31 March 2019.



Summary of Income and Expenses over Expected Life of the Investment (Continued)

2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	TOTAL	
	5.9				2.3				129.4	99.9	83.9	267.8	275.3		970.0	
5.8				2.3				126.8	98.0	82.2	262.5	269.7	54.8	48.4	950.6	
															\$4,457,736	
															\$232,264	
															\$820,000	
	11500	303			4873	129			293539	238653	203830	649664	692057	157184	\$2,443,619	
						9269		15900		3927		6739	591	237006	\$3,241,618	
35295	36001	36721	37456	38205	38969	39748	40543	41354	42181	43025	43885	44763	45658	46571	\$1,011,463	
1839	1889	1926	1965	2004	2044	2085	2127	1887	1986	2056	1672	1689	2264	2326	\$50,731	
11871						18724			14187						\$60,449	
	78				126				2001	1546	1325	4311	6644	2611	\$30,201	
24794	26001	27142	28331	29474	30777	32064	33405	29868	29722	29636	21793	16953	21279	21537	\$639,685	
8675	8848	9025	9206	9390	9578	9769	9965	10164	10367	10575	10786	11002	11222	11446	\$246,885	
34458	35147	35850	36567	37299	38045	38805	39582	40373	41181	42004	42844	43685	44575	45467	\$986,069	
5390	5498	5608	5720	5834	5951	6070	6191	6315	6442	6570	6702	6836	6973	7112	\$154,463	
5707	5821	5938	6056	6178	6301	6427	6556	6687	6820	6957	7096	7238	7383	7530	\$163,549	
6975	7115	7257	7402	7550	7701	7855	8012	8173	8336	8503	8673	8846	9023	9204	\$199,894	
						39291									\$39,291	
1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	\$178,650	
5136	3881	3958	4038	4695	4201	4285	4370	38337	31238	27488	79113	82802	21098	19579	\$377,456	
6341	6468	6597	6729	6864	7001	7141	7284	7430	7578	7730	7884	8042	8203	8367	\$181,722	
634	647	660	6729	686	700	714	728	7430	758	773	788	804	8203	837	\$52,752	
															\$47,915	
148116	149894	141986	151199	149178	157267	223378	159763	214917	497335	430442	437391	894374	886173	577777	\$15,616,411	
-123212	73272	49940		-75000	25000	50000								4286151	\$4,286,151	
															\$820,000	
															\$145,775	
271328				117208				6926610	5456338	4671811	15211669	15945725	3305591	2976726	\$54,883,008	
														2923102	\$2,923,102	
148116	73272	49940		42208	25000	50000		6926610	5456338	4671811	15211669	15945725	3305591	10185980	\$63,058,036	
	-76622	-92046	-151199	-106970	-132267	-173378	-159763	6711693	4959003	4241369	14774278	15051351	2419419	9608203	\$47,441,625	
2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	TOTALS	
	-153	-184	-302	-214	-265	-347	-320								-\$20,647	
	-153	-184	-302	-214	-265	-347	-320									
								13423	9918	8483	29549	30103	4839	19216	\$115,531	
2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	TOTALS	
	-153	-184	-302	-214	-265	-347	-320	13423	9918	8483	29549	30103	4839	19216	94885	
-75	99	94	100	24	104	147	105								4126	
								-4291	-3166	-2710	-9465	-9640	-1537	-3460	-34268	
-75	-54	-90	-202	-190	-161	-200	-215								-16520	
								9132	6752	5773	20084	20463	3302	15756	81263	

Refer to assumptions on the page before the Cashflow Projection.



Sensitivity Analysis of Log Price Changes

Based on 36-month average prices to 30 June 2018, average stumpage is \$36,735. Current June 2018 spot prices would yield \$46,237, and 2% p.a. inflation on \$36,735 stumpage increases average stumpage to \$57,735 and to \$61,485 in the final year. Harvest costs and other investment costs could continue to rise in price and not be matched by increases in log prices. The following shows the impact of log price changes from 2018 prices.

Return on Investment

Base Case for a 200-share parcel (using recent average log prices):

\$72,947 gross

This is the projected net revenue before tax calculated using 36-month average log prices (3 years) to 30 June 2018 and is the base case scenario. Costs to achieve this revenue are the application cost and ongoing Calls of \$19,478 based on 2018 dollars.

Assuming inflation of 2% p.a. on the Base Case:

\$115,531 gross

This is the projected net revenue before tax calculated using 36-month average log prices (3 years) to 30 June 2018 with inflation at 2% p.a. Costs to achieve this revenue are the application cost and ongoing Calls of \$20,647.

Internal Rate of Return (IRR)

The percentage return on a forestry investment is the calculated Internal Rate of Return (IRR). The IRR is the discount rate at which discounted costs equal discounted revenues – i.e. the discount rate at which present value cash flows equal zero. Provided all other factors are equal, the IRR provides a basis to compare forestry investments.

Based on the assumptions set out, assuming 2018 log prices:

Gross IRR based on past 36-month log prices	6.44%
Gross IRR based on June 2018 spot prices	7.61%
Gross IRR based on inflation adjusted 36-month log prices	8.53%

What happens if log prices increase or decrease?

If log prices change in value during the term of the investment, the return would change as follows -

Log Price Change Over Term	Projected before Tax Return based on 2018 dollars for a 200-share parcel	IRR
Base case	\$72,947	6.44%
10% Log Price Increase	\$88,621	7.43%
30% Log Price Increase	\$119,989	8.98%
50% Log Price Increase	\$151,353	10.18%
10% Log Price Decrease	\$57,359	5.21%
30% Log Price Decrease	\$26,187	1.31%
50% Log Price Decrease	Harvest would be postponed unless harvest costs reduced	Negative

What happens if the recoverable volume of 665 tonnes per hectare increases or decreases?

A mid-rotation sample inventory and pre-harvest inventory of the trees will occur during the rotation. The projected volume is likely to change at these points and when actual harvest occurs.

The 665 tonnes is made up of different log grades that have different sales prices. If forest growth occurs at different rates to those predicted in the audited Forest Management Plan, assuming changes in volume are consistent across log grades, any increase or decrease would have the same effect as shown above for changes in log prices.

The above returns are not guaranteed. Investors should also refer to *Risks to Returns* in section 7 from page 29.



7. Risks to Returns from the Wairarapa Group Forest Investment

No investment is without risk. For this forestry investment, the risks which may influence the amount to be paid in and the projected return fall into the following main categories:

Risk	Management
Crop Risk	<p>If the yield from the treecrop is less, returns from the investment will be less.</p> <p>There is the risk that unfavourable climatic events, disease and fire may cause failure of all or part of the treecrop or the forest producing less volume and poorer quality logs at harvest.</p> <p>These risks are minimised by careful forest management. Insurance cover is in place to minimise the risk in respect of fire and wind related events.</p> <p>The Manager's view is that changes in anticipated yield is a possibility, but these forests have successfully produced yields off the first crop rotation. Another positive is that the combination of three forests in separate locations in the Wairarapa reduces the risk.</p>
Market Risk	<p>If demand for logs reduces, projected returns are likely to reduce.</p> <p>There is the risk associated with changes in supply and demand for pine logs over time resulting in changes in prices relative to the assumptions contained in the projection scenarios.</p> <p>The Manager's view is that changes in log prices over time and changes in harvest, roading and other costs to extract the logs may materially change. However, there is the possibility that increases in log prices also work in the Investor's favour.</p>
Operating Environment Risk	<p>Any of the following factors could increase Calls or reduce returns.</p> <p>There is the risk of inflation, interest rate changes, exchange rate fluctuations and changes in taxation rates and regimes.</p> <p>The Manager's view is that changes in operating environment are inevitable given the long-term nature of the investment. In preparing projected information for the expected life of the Scheme, the Manager has based its expectations for the future on the assumptions set out in section 6 including inflation at 2% pa. Any one of these assumptions may end up being materially different to what occurs. Investors should consider this along with sensitivity analysis set out on the previous page.</p> <p>Compliance costs becoming more burdensome is a risk, especially if there is further government intervention into forestry practises.</p> <p>Logs sold overseas are generally sold in US dollars, so movements in exchange rates is a material risk to exported log sales but this to some extent is minimised by imported costs, such as fuel used in logging and cartage. The exchange rate will not be hedged for the 25+ year timeframe of the Scheme but hedging policies will be reviewed closer to harvest.</p> <p>There is also the possibility that the Manager may not be available to manage the investment for the full term, although this is considered unlikely.</p> <p>The level of borrowings is low so this should render any interest rate changes to be small.</p>
Counterparty Risk	<p>If log buyers do not pay for the harvested logs, returns could reduce.</p> <p>Post-harvest, when the logs are sold, receivables owed to the Scheme will at various times be held by counterparties such as the buyers of the logs or by FEG as the forestry manager under a Forestry Management Services Agreement with FEL. From this money, the harvest costs are paid, before the resulting net amount is passed back into the custody of the Scheme's Supervisor</p> <p>Mitigating Factors are</p> <p>FEG will hold PPSR charges on log buyers and shipping agents. FEG's marketing and shipping agents require irrevocable letters or credit for payment by overseas buyers.</p> <p>The risk of non-performance by FEG is extremely low because under the FMC Act contracting out by the Manager does not affect the liability of the Manager which remains responsible for the performance of those functions under the Forestry Management Services Agreement.</p>

Were they to occur and if not appropriately managed by the Manager, these circumstances could have a material adverse effect on the Scheme's financial position or future financial performance through a decrease in revenue or an increase in costs. The Manager has taken, and will in the future take, steps to mitigate the effects of these circumstances. However, some risks may not be fully capable of mitigation.

Investors should carefully consider these risks - together with other information in this PDS - before deciding whether to invest in the Scheme.

The description of the circumstances in this section does not take into account the personal circumstances, financial position or investment requirements of any person. It is therefore important that, before deciding to invest in the Scheme, you consider the suitability of an investment in the Forestry Investment in light of your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).





8. What are the Fees?

The fees and expenses charged by any person in respect of the Scheme fall into three main categories. These are "Set Up Fees and Expenses", "Investor Fees if applicable" and "Ongoing Fees chargeable to the Investment". These are set out in turn below. All references to fees throughout this PDS are exclusive of GST, if applicable.

Set Up Fees

The fees and expenses charged to the Scheme on its set-up are:

Set Up Fees			
Manager and associated persons	Nature of Fee	Period to 31 March 2019	
Property Purchase	Managers Fees within the Property purchase price of \$4,367,736 are:		
Managers Supervision Fee	A fee equivalent to the 20% charge of the actual cost of work actively supervised, while the land was held by Forest Enterprises Growth Ltd	\$28,918	
Holding Costs for Rangiora Property	A fee for holding costs pending setting up the Scheme relating to the Rangiora Property	\$54,933	
Total Manager and associated persons Fees included with Property Purchase			\$83,851
Offeror's fee / Brokerage	Brokerage is payable to third parties if applicable	\$100,000	
Legal Fees	FEL internal Legal Fees for Documentation	\$70,000	
Subtotal of Other Manager and associated persons Fees		\$170,000	
Other Party Fees			
Legal Fees	Supervisor Review of Scheme Documentation and external legal fees for transferring properties to the Investment	\$42,664	
Supervisor	Set-up Fee	\$5,000	
PDS, Scheme Registration & FMA Levy		\$6,100	
Assurance Fees	Fees paid to Land Valuers, to Forme for their review of the Forest Plan & to Staples Rodway for their review of the prospective financial information contained on the offer register.	\$8,500	
Subtotal of Other Party Fees		\$62,264	
Total other Set Up Fees			\$232,264
Total Set Up Fees			\$316,115

The above fees are payable by the Scheme. In respect of the legal fees and other expenses, the Manager may have already met these costs on behalf of the Scheme prior to Settlement of the Properties and, accordingly, is entitled to reimbursement. Other fees may be paid by the Manager between the dates of settlement and this PDS. Those fees will be reimbursed to the Manager. These fees will not change as they are incurred upfront and the Manager is responsible for any under or overs.



Investor fees if applicable

Possible fees chargeable to an Investor only apply if the particular non-routine service is used. These are:

Investor Fees if applicable	
Manager and associated persons.	
Secondary Market Fees	The fees for selling on the secondary market are a \$375 listing fee and a brokerage fee of \$350 for sales values up to \$10,000 and an additional 2% over \$10,000.
Share Transfer Fees	A fee of \$150 applies to transfer of the investment into different names, after the initial application.
Default Fees	The Manager is entitled to recover from a Defaulting Investor all reasonable costs incurred as a result of the default. See further clause 20.4 of the Deed of Scheme Management.
Credit Card Fees	Investors must ensure that the annual Call amount received is the actual amount of the Call net of any charges deducted by any bank. If investors choose to pay by Visa / Mastercard, the Call amount will be grossed up by the bank charge, currently 2.19%

The Investor fees may be either fixed or variable depending upon the nature of service being provided, and such fixed fees plus an hourly rate for variable fees shall be as approved by the Supervisor and reported annually in the Scheme's financial statements.

Ongoing fees chargeable to the Investor

Annual Investor Administration Fee	Maximum Fee - \$60 charged once per Investor in any investment per year, regardless of the size of the investment
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Ongoing fees chargeable to the Scheme

The ongoing fees and expenses anticipated to be charged to the Scheme are -

Ongoing Scheme Fees	
Manager and Associated Persons	
Base Management Fee	\$28 per planted hectare per annum
Forest Activity Supervision Fee	20% of the actual cost of work actively supervised
Non-harvest Income Fee	Up to 10% of income actively coordinated and supervised
Investment Update and Indicative Valuation Fee	A fee of 5.5 cents per share (\$5,500 per annum for Scheme)
Harvest Management Fee	Currently harvesting fees are \$3 per tonne plus 2.5% of net stumpage. There is an additional \$0.50 per tonne for railyard and Wharf infrastructure charges.
Other Fees and Expenses	
Direct Forestry Expenditure	The Manager is authorised to undertake work in accordance with the Forest Management Plan
Supervisor's Fees	Estimated \$4,250 per year
Audit Fees	Financial Audit estimated \$3,000 per year Forest Audit Estimated \$1,500 per year



For the avoidance of doubt, the Manager may incur and pay such fees, costs and expenses otherwise payable by the Scheme on the Manager's own account and claim recovery for such fees, costs and expenses from the Limited Partnership. In addition to the fees, the Manager may recover from the Limited Partnership reasonable disbursements.

Where it is commercially practical (and in the reasonable opinion of the Manager, not otherwise disadvantageous to the Limited Partnership) for the Manager to undertake work that could otherwise be contracted to a third party, and for which a coordination and supervision fee would be payable to the Manager, the Manager may undertake such work and charge a commercially reasonable fee plus disbursements for that work (hence the charge will be no more than that payable to a third party).

How the Manager's Fees can be changed

The Manager's fees may be reviewed from time to time with any variation in such fees to be approved by an Ordinary Resolution of the shareholder of the General Partner (subject to the Beneficial Shareholder Direction Process). The Supervisor may however approve the variation or modification of a fee charged to the Limited Partnership if it believes the variation or modification to be fair and equitable to both the Manager and the Limited Partnership and where in the Supervisor's opinion the variation does not warrant the time and expense of approval by Ordinary Resolution.

How Other Fees can be changed

External operational costs such as insurance and rates change subject to market conditions. Supervisor fees and other third party costs like audit fees would change subject to agreement with the Manager. Notice of fee changes to external third parties will only be communicated via the financial statements each year.

Estimate of Ongoing Fees and Expenses

There is no most recent accounting period for the Scheme. Refer to page 30 for the establishment fees for the period to 31 March 2019.

An estimate of ongoing fees and expenses for the period to 31 March 2019 and the year to 31 March 2020 is:

Ongoing Investment Fees & Expenses				
Manager and associated persons.	Period Ended 31 March 2019	As percentage of Scheme Net Assets	Year Ended 31 March 2020	As percentage of Scheme Net Assets
Base management Fee	25780	0.61%	27170	0.60%
Forest Activity Supervision Fee	36022	0.85%	53847	1.19%
Investment Update and indicative valuation	5500	0.13%	5500	0.12%
Investor Meeting Costs	0	0.00%	5000	0.11%
Disbursements	5000	0.12%	5000	0.11%
Other Fees and Expenses				
Direct Forestry Expenditure	166883	3.92%	255100	5.63%
Supervisor's Fees	4250	0.10%	4250	0.09%
Audit Fees	4500	0.11%	4500	0.10%
Insurance	10725	0.25%	11633	0.26%
Levies	2500	0.06%	2500	0.06%
Rates	5130	0.12%	6840	0.15%
Interest Charges	12310	0.29%	10580	0.23%
Contingency	5000	0.12%	5000	0.11%
Total	283600	6.7%	396920	8.75%

In addition, there is the \$60 Investor Administration Fee charged annually per Investor regardless of the size of shareholding.

Note, Direct Forestry Expenditure shown above is included with expenses for completeness. However, it more directly relates to increasing the value of the Scheme Property, not operating costs of the Scheme.



Subsequent Period Fees and Expenses

The Offer Register contains Prospective Financial Information for the expected life of the investment. The PDS includes a cashflow summary based on this information, where all fees and expenses are initially based upon 2018 costs, before applying inflation at 2% per annum.

The impact of applying inflation to fees and expenses is that the average contribution for a 200-share parcel increases from \$19,478 to \$20,647.



9. Tax

Tax can have significant consequences for investments and can affect your returns from this Investment. If you have queries relating to the tax consequences of an investment in Wairarapa Group Forest Investment, you should seek independent tax advice from a professional advisor.

General overview

Each Investor is assessed individually on their proportionate share of the profit (loss) from the Scheme each year, given each Investor is a limited partner in a Limited Partnership (LP). In May each year, Forest Enterprises will advise each Investor of the amount of their profit (loss).

Until the years of harvest, the investment will generate tax losses each year which will be available for offset against other income of the Investor. Tax losses will be highest in the 2022 to 2025 tax years when a large proportion of the silviculture is being carried out. In this period tax losses will be higher than Investor Calls each year as a result of borrowings by the Scheme.

Investors will only have to separately include any personal **Cost of Timber** in their tax return if they sell shares on the secondary market after the PDS has closed or they buy further shares after the PDS closed. The Cost of Timber acquired by the Scheme is \$1,660,646 (or \$3,321.29 if the minimum holding of 200 shares is acquired).

Partners on the Register of Partners at the end of the LP's financial year 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.

Tax when holding the Investment at harvest

Under current tax law, harvest proceeds will be paid to Investors as a gross amount and Investors will be responsible for paying tax at their marginal rate. The net return to Investors will depend on their marginal tax rate at the time of harvest.

All Investors buying shares under the Offer in this PDS are buying shares which will have available a proportionate share of the Cost of Timber tax deduction available to the Scheme of \$1,660,646. This will be applied in the LP tax information circulated to Investors who hold the investment when harvest occurs.

The harvest income allocation rules in the Income Tax Act 2007 entitle Investors to allocate current year harvest income between the year of harvest and the three preceding income years. If allocation is utilised to return harvest income to prior income years, Investors can potentially avoid provisional tax consequences relating to underestimating any harvest income in the current income year.

Tax if selling the Investment before harvest

If an Investor sells shares before harvest and the share transfer value is under the \$50,000 threshold in section HG 5 of the Income Tax Act 2007, no tax is payable by the Investor selling their LP shares and the purchaser is deemed to inherit the seller's cost basis for tax purposes.

On the other hand, if the sales value is over the \$50,000 threshold, the Treecrop portion of share sales value is taxable income to the seller and the seller would deduct their personal Cost of Timber against the income. Assuming the shares were purchased under the PDS, the personal Cost of Timber to the seller is the same as an Investor's proportionate share of the Investment's Cost of Timber (see above).

Tax if buying additional Shares on the secondary market after the PDS is closed for applications

If an Investor buys shares from a seller who is selling shares under the \$50,000 threshold in section HG 5 of the Income Tax Act 2007, the buyer would inherit the seller's cost basis and would likely be in the same position as someone who bought shares under the PDS.

If an Investor buys further shares when the sales value is over the \$50,000 threshold, the buyer of the shares receives a further Cost of Timber deduction for the Treecrop portion of the purchase price paid to the seller. The buyer would need to separately account for any proportionate increase in Cost of Timber from the starting value of \$1,660,646.

Tax laws can change and the above statements are accurate at the date of this document.





10. About Forest Enterprises Limited and Others Involved in the Wairarapa Group Forest Investment

About Forest Enterprises Limited (FEL)

Forest Enterprises Limited is the Manager of the Scheme. Forest Enterprises Limited is licensed under the Financial Markets Conduct Act 2013 to manage Managed Investment Schemes (excluding managed funds) which are primarily invested in forestry assets.

FEL is New Zealand's oldest full-service forest management and investment services company. Since 1972, FEL has been helping people grow their wealth through affordable direct investments in some of New Zealand's most exceptional Radiata pine plantation forests, and by expertly managing the forests from establishment to harvest.

FEL is 100% owned by parent company, Forest Enterprises Growth Limited (FEG), which carries out the forest and harvest management activities. Bert Hughes, Graeme Tindall and Gordon Wong are directors of both companies.

FEL forestry schemes (such as the Wairarapa Group Forest Investment) are structured to provide Investors with a long-term investment in forests, while seeking to minimise the administrative and operational burdens of private forestry ownership.

FEL is the only licenced Manager which has a diverse ownership across the key executives in the business - CEO & Forestry Director Bert Hughes is a New Zealand Institute of Forestry (NZIF) Registered Forestry Consultant, Graeme Tindall is a Chartered Accountant, and Gordon Wong is a practising Barrister and Solicitor. The Chairman and Executive Directors of FEL are:

Director	Bio
John Sexton OBE, FCA	<p>Since August 2008, John has been an Independent Director and Chair of the Board for Forest Enterprises Limited (FEL), the licensed manager of forestry Managed Investment Schemes (MIS).</p> <p>John's role as Chair is to provide leadership to the Board in support of its strategic and governance oversight of FEL. He also ensures the Executive Directors maintain their high performance standards in the best interests of the Investors.</p> <p>Being independent means that John has no shareholding in either FEL or its parent company Forest Enterprises Growth Limited (FEG), nor is he a company executive. This enables him to discharge his fiduciary responsibilities as Chair objectively as well as independently.</p> <p>John is a Fellow of Chartered Accountants Australia & New Zealand, and a professional member of New Zealand Institute of Directors and New Zealand Institute of Management.</p>
Bert Hughes NZIF Registered Forestry Consultant, BBS, NZCF, MInstD	<p>Bert is the CEO & Forestry Director of Forest Enterprises.</p> <p>As CEO, Bert is responsible for overseeing all Forest Enterprises activities across the two companies – FEL, and its parent FEG the land and tree crop management company.</p> <p>Bert has led the expansion of the Forest Enterprises' forest management capability. He has a depth and breadth of expertise from a 30-year forestry career, having held senior management and executive roles across the industry. Bert's focus is on understanding the market and getting our investors' product as close to the buyer as possible.</p> <p>He is a New Zealand Institute of Forestry Registered Consultant and a member of the New Zealand Institute of Directors.</p>
Graeme Tindall BCA (Hons), CA	<p>Graeme is the Managed Investments Director.</p> <p>Graeme's principal responsibility is the management and accountability of FEL's status as a licensed manager of forestry MIS, and its registered forestry investments. Graeme also provides high-end oversight of the financial management, reporting and compliance for all forestry investments FEL and FEG manages and administers.</p> <p>Graeme is a professional member of Chartered Accountants Australia and New Zealand, and an Associate Member of the New Zealand Institute of Forestry.</p>



Gordon Wong LLM (Hons), Barrister and Solicitor	<p>Gordon is the Legal Services Director.</p> <p>Gordon provides the expertise Forest Enterprises requires to respond to the new financial markets regime under the Financial Markets Conduct Act 2013. Gordon is one of New Zealand's most experienced lawyers in the forestry industry. He is also a specialist in financial markets law, legal risk management and the Emissions Trading Scheme.</p> <p>Gordon has a dual role. He is FEL's in-house legal counsel, advising FEL on the regulatory environment and the many statutes that it must comply with; plus, he provides legal advice to Forest Enterprises' Managed Investment Schemes.</p> <p>Gordon is a Barrister and Solicitor and a member of the New Zealand Law Society and the Institute of Directors.</p>
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In addition to Bert, Graeme and Gordon, Forest Estate Manager Malte Coulmann and Gisborne Regional Manager Dan Fraser are shareholders and directors of FEG and are full time company executives:

Shareholder	Bio
Malte Coulmann NZIF Registered Forestry Consultant, BForSc (Hons)	<p>As Forest Estate Manager, Malte's responsibility is to maximise the value of the tree crop. This is achieved by ensuring that forest operations, such as pruning and thinning, happen at the right time and to the highest standard. Malte and his team also manage the technical side of forestry which includes mapping, database management, inventory and modelling which are essential to quality decision-making.</p> <p>Malte is based at Forest Enterprises' head office in Masterton and provides additional oversight and support to many aspects of our Wairarapa-based forestry operations.</p> <p>Malte is a New Zealand Institute of Forestry Registered Consultant and a member of the New Zealand Institute of Directors.</p>
Dan Fraser NZCF	<p>Dan is the Gisborne Regional Manager, responsible for the major harvest programme of Forest Enterprises' 10,000ha Gisborne estate. He is responsible for ensuring our Investors' forests in Gisborne are harvest-ready, for managing their harvest, and that forestry and harvesting operations are coordinated and optimised. Dan leads our small Gisborne-based forestry team from our office in Gisborne city.</p> <p>Dan has a 26-year professional forestry career and has extensive knowledge of harvest and engineering practices and of the harvesting industry.</p>

Refer to www.forestenterprises.co.nz/about-us/meet-our-people for further information on directors and staff.

Contact details

The Manager may be contacted in the following ways:

At its office 5 Papawai Place, Masterton 5810
Post PO Box 128, Masterton 5840
Phone 0800 746 346 or +64 6 370 6360
Fax +64 6 370 6369
Email invest@forestenterprises.co.nz



Who else is involved?

Party	Name	Role
Supervisor	Trustees Executors Limited (FSP37383)	Trustees Executors Limited has been appointed Supervisor for the Scheme. The Supervisor will monitor compliance with the Governing Documents and fulfil the role of Supervisor under the Financial Markets Conduct Act 2013 and Financial Markets Supervisors Act 2011.
Custodian	Trustees Executors Limited (FSP37383)	Trustees Executors Limited is the Custodian for the Scheme. The Custodian will be the registered proprietor of the Property on bare trust for the Limited Partnership in accordance with the Governing Documents. The Custodian will also hold on trust all other assets owned by the Limited Partnership.
Forest Manager	Forest Enterprises Growth Limited	At all times, the Manager remains responsible for the Scheme, however the coordination and supervision of the field work relating to the Land and Treecrop is undertaken by the Forest Manager .
Forest Auditor	Forme Consulting Group Limited	The Forest Auditor inspects the forest and provides an independent report each year to Investors which is included in the annual financial statements.
Financial Auditor	Staples Rodway	The Financial Auditor undertakes the financial and other audits in accordance with the Financial Markets Conduct Act and the Scheme's Governing Documents.



11. How to Complain

Complaints about the Manager or about the Wairarapa Group Forest Investment, in the first instance, should be made to Managed Investments Director, Graeme Tindall of Forest Enterprises Limited at the address of the Manager:

Forest Enterprises Limited

5 Papawai Place
PO Box 128, Masterton
New Zealand

Phone +64 6 370 6363

Email gtindall@forestenterprises.co.nz

If the complaint remains unresolved, the Supervisor can be contacted, or Financial Services Complaints Limited (FSCL).

The contact details of Supervisor, Trustees Executors Limited are:

Trustees Executors Limited

Level 7, 51 Shortland Street, Auckland 1140
PO Box 419
Auckland

Phone 0800 878 783

Email gjo@trustees.co.nz

As a financial service provider registered under the Financial Service Providers (Registration and Dispute Resolution) Act 2008, Forest Enterprises Limited is a member of an approved dispute resolution scheme (registration number FSP37784). This scheme is operated by FSCL. There is no charge for using the services of FSCL to investigate or resolve a complaint.

The contact details of FSCL are:

Financial Services Complaints Limited

Level 4, 101 Lambton Quay
PO Box 5967
Wellington

Phone 0800 347 257

Email info@fscl.org.nz or complaints@fscl.org.nz

Website www.fscl.org.nz



12. Where You Can Find More Information

The following further information relating to the Scheme and the managed investment products is available on the Companies Office Disclose Register at www.companiesoffice.govt.nz/disclose, or on request to the Registrar.

Offer Register	Scheme Register
<ul style="list-style-type: none"> • Full Prospective Financial Statements • Staples Rodway's Limited Assurance Engagement Opinion • Forest Management Plan • Forme Consulting Group's audit report on the Forest Management Plan • Sale & Purchase Agreement for the 3 forest properties • Independent Land Valuation Reports for the 3 properties 	<ul style="list-style-type: none"> • Statement of Investment Policy & Objectives (SIPO) • Deed of Scheme Management • Limited Partnership Agreement • Constitution of General Partner
The Offer Register may be viewed at www.companiesoffice.govt.nz/disclose , and search 'Wairarapa Group Forest Investment' under 'Search Offers'.	The Scheme Register may be viewed at www.companiesoffice.govt.nz/disclose , and search 'Wairarapa Group Forest Investment' under 'Search Schemes'.

No other information relating to the Scheme will be available other than the information contained in this PDS and on the Offer Register and Scheme Register.

All information available on the Offer Register and the Scheme Register is also available on request free of charge from the Manager:

Forest Enterprises Limited

5 Papawai Place
PO Box 128, Masterton
New Zealand

Phone 0800 746 346 or +64 6 370 6360
Email invest@forestenterprises.co.nz
Website www.forestenterprises.co.nz

Or contact our Client Team directly:

	Bio
Sean Roberts DDI +64 6 370 6368 Mob. +64 21 822 802 sroberts@forestenterprises.co.nz	<p>Sean is our Customer Services Manager.</p> <p>Sean was Forest Enterprises' client manager at Trustees Executors Limited for 17 years before joining our team. He therefore has a deep understanding of our investment products, of our responsibilities as an investment manager and, most importantly, of our clients. Sean is responsible for all aspects of our investor relations which includes client communications and compliance.</p>
Nikki Coulmann DDI +64 6 370 6916 Mob. +64 27 55 44 325 ncoulmann@forestenterprises.co.nz	<p>Nikki is our Marketing Manager.</p> <p>Nikki manages our company communications and marketing programmes, and in doing so is responsible for promoting Forest Enterprises' second rotation forestry investments to the next generation of investors. Nikki works with Sean in identifying and meeting client needs, particularly with respect to clients' expectations of us as their manager and keeping clients informed and engaged.</p>



13. How to Apply

To apply, prospective Investors must provide the following:

- A completed and signed Application Form (and Power of Attorney)
- For Investors new to the Manager, the identification and other Anti-Money Laundering due diligence information referred to on the Form in Parts B and C
- Payment of the total application amount

Who can invest?

Individuals, couples and families can invest jointly. Please use the *Application Form* from page 48.

Trusts, Companies, and Partnerships can invest. Please download the Trust, Company or Partnership Application Form from our website www.forestenterprises.co.nz/forms, or request a copy by email or by post.

How to Invest

Please complete Parts A, Parts B and C if required, read Part D and sign Part E of the Application Form (all shaded boxes).

Part A Applicant Details	This information is required for the Managed Investment Scheme records. The Overseas Person disclosure is required for the purposes of the Overseas Investment Act 2005 and the Anti-Money Laundering and Countering Finance of Terrorism Act 2009. We will advise any further steps if required.
Part B Customer Due Diligence	Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, we must obtain from you relevant information on the nature and purpose of the proposed business relationship you will have with Forest Enterprises.
Part C Identity Verification for New Zealand Customer	New Zealand's Anti-Money Laundering and Countering Financing of Terrorism Act 2009 requires all Investors to provide proof of identification and residential address. The accepted documentation is outlined in Part C.
Part D Limited Power of Attorney	This is a strictly limited Power of Attorney in favour of Trustees Executors Limited to enable them to attend only to the statutory and procedural matters relating to the operation of the Managed Investment Scheme. The Power of Attorney specifically excludes the Attorney from participating in any decision affecting the forestry activity, any decision that may affect your investment contributions, or share of the harvest proceeds.
Part E Signature(s)	The Application Form must be signed by all individual and joint applicants and the Applicant must be of full legal capacity (an individual who has attained the age of 18 years and is competent to manage their own affairs in relation to property). All signatures must be witnessed – the witness must be 18 years or more of full legal capacity, independent (i.e. not spouse or family member, and not another applicant).

Return of Application Form

Please scan the completed Application Form and return with all required supporting documentation by email to invest@forestenterprises.co.nz. Or you can post your application to Forest Enterprises, PO Box 128, Masterton. Investors based overseas may scan and return by email to invest@forestenterprises.co.nz

If you require help

Please phone 0800 746 346 (PINEGOLD) or +64 6 370 6360 to reach Sean Roberts or Nikki Coulmann. Additional copies of this Application Form, including the Form for Trusts, can be downloaded from our website www.forestenterprises.co.nz/forms or request a copy by email or post.

Privacy Act statement

Applicants have the right under the Privacy Act 1993 to obtain access to, and request correction of, all personal information held by Forest Enterprises Limited. Unless contrary directions are given to Forest Enterprises Limited, the company may from time to time provide information to the Applicant on future investments, financial services, or products that Forest Enterprises Ltd believes may be of interest or benefit to the Applicant.

A copy of Forest Enterprises' Privacy Policy is available on request and is available at www.forestenterprises.co.nz/privacy-policy



Glossary of Terms

Awaroa Shares	These are shares in the Scheme held by Awaroa Forest Partnership partners, who originally held the Awaroa land in a separate land-owning company Allure Holdings Limited ("Allure"). As shareholders of Allure, the Awaroa Partners received a distribution of 28,621 shares from Allure following the transfer of the Awaroa land by Allure into Wairarapa Group Forest Investment. FEG has separately agreed to a put option to purchase these shares, if Awaroa Partners decide to exercise their put option right in 2019. If any Awaroa Shares are acquired by FEG under the put option, they will be also be offered for sale by FEG under this PDS.
beneficial ownership	Investors hold limited partner shares in Wairarapa Group Forest LP, plus beneficial ownership of an equal number of shares in the General Partner, Wairarapa Group Forest GP Limited. These General Partner shares are held in bare trust for the Investors by the Manager in its capacity as "the GP Share Trustee". Under the Governing Documents, the beneficial owner has full voting rights on all important decisions which require a resolution of General Partner shareholders.
Beneficial Shareholder Direction Process	Is the process by which the Investors, as the beneficial owners of the shares in the General Partner, will instruct the GP Share Trustee to vote on important shareholder decisions.
Call	This Managed Investment Scheme is contributory by nature. Investors are required to meet their share of the annual budget to undertake the work related to the management of the forest assets and costs arising from managing the Investment. This obligation results in calls made by the Manager for contributions to meet costs and expenses.
Cost of Timber	Cost of Timber is a technical area of New Zealand tax law relating to deductions for certain forestry expenditure. The main purpose of section DP 11 of the Income Tax Act 2007 is to allow a deduction for certain forestry expenditure that might not otherwise be deductible. A vendor is entitled to deduct the 'cost of timber' from the proceeds realised from the sale of such timber. The cost of timber includes the purchase price of the timber where it is purchased as standing timber, or the acquisition cost of a right to take timber.
Custodian	The Custodian of Wairarapa Group Forest Investment is Trustees Executors Limited. The Custodian must be independent of the Manager and holds some or all of the scheme property in trust for the Investors.
Deed of Scheme Management or DOSM	The Deed of Scheme Management is the pre-eminent governing document in respect of the Wairarapa Group Forest Investment, and incorporates all the elements required under the Act for the administration, management and governance of the Scheme.
distribution	The cash return to Investors from the net proceeds of harvest revenue. Payment of distributions is likely to be made at quarterly intervals once cashflow from harvest has commenced and harvest expenses have been paid.
establishment	The planting phase of a forest, all the physical operations needed to bring a treecrop into being, including the purchase of land.
first rotation	A rotation is the period of time from when a forest is first planted to when it is harvested. The first rotation refers to the first period that a treecrop has been grown on a particular area of land. All the forests in Wairarapa Group Forest Investment are second rotation forests.
FMC Act	Financial Markets Conduct Act 2013
Forest Enterprises Growth Limited or FEG	FEG is the parent company of FEL, and is a forestry management company which provides comprehensive forestry management services, harvest management, log sales and other associated services. It is the Offeror of shares in the Wairarapa Group Forest Investment.
Forest Enterprises Limited or FEL	FEL is the Issuer and licensed Manager of the Wairarapa Group Forest Investment and undertakes the Scheme administration.
Forest Growers Levy	The Forest Growers Levy is a levy applied to all harvested wood products (logs) and payable to the Forest Growers Levy Trust as per the Commodity Levies Act (2013). For further information on this levy visit www.fgl.org.nz .



Forest Management Plan or Plan	The Plan sets out the activities for the establishment, management and harvest of the Radiata pine forest which is the primary asset of the Wairarapa Group Forest Investment. It is managed by the Forest Manager, FEG.
Forestry Management Services Agreement	FEG is appointed by FEL to provide all of the silviculture, harvesting and forestry management services necessary for the establishment, maintenance, growth and harvesting of the forests, and to market the forest produce. These services are contracted out by the Manager to FEG under the Forestry Management Services Agreement.
Forest Manager	Forest Enterprises Growth Limited is the Forest Manager, responsible for carrying out the Forest Management Plan for Wairarapa Group Forest Investment.
Forestry Right	A right granted by the owner of land to someone else to establish and/or maintain and harvest a forest. Forestry rights are commonly registered against the titles to the relevant land under the Forestry Rights Registration Act 1983.
General Partner or GP	Under the Limited Partnerships Act 2008, the General Partner (GP) is the person responsible for the day-to-day management of the Limited Partnership and its business. This management responsibility has been contracted out by the GP to the Manager. However, limited partners retain control by holding beneficial ownership of shares in the GP and voting on resolutions on key decisions affecting the investment.
Governing Documents	The Governing Documents are the Deed of Scheme Management and Limited Partnership Agreement, and any other deeds, agreements or instruments that constitute or govern the Wairarapa Group Forest Investment for the purposes of the FMC Act. These are available to read and download from the Scheme Register at www.companiesoffice.govt.nz/disclose by searching 'Wairarapa Group Forest Investment' under 'Search Schemes'.
Internal Rate of Return or IRR	Internal rate of return (IRR) is a metric used in capital budgeting to estimate the profitability of potential investments. IRR on a forest investment is the rate of return that makes the net present value of all cash flows (both positive and negative) from a particular investment equal to zero. It can also be defined as the discount rate at which the present value of all future cash flow is equal to the initial investment or, in other words, the rate at which an investment breaks even. IRR calculations rely on the same formula as NPV does.
Investment	The registered Managed Investment Scheme, Wairarapa Group Forest Investment, in which Investors purchase shares. This PDS refers to the Investment also as a 'Scheme' or the 'LP'.
Investor	The person(s) who own shares in the Managed Investment Scheme that is Wairarapa Group Forest Investment. This PDS refers to the Investor also as a 'Scheme Participant', the 'limited partner' or 'shareholder'.
Investor Administration Fee	An annual fee of \$60 per year charged to each investor regardless of the size of their shareholding in the Investment.
Issuer	According to the FMC Act, in relation to a managed investment product, the Issuer is the Manager of the Managed Investment Scheme. Therefore, as the Manager of Wairarapa Group Forest Investment, Forest Enterprises Limited is the Issuer.
Land	There are 3 blocks of Land which are owned by the Scheme and on which the Rangiora Forest treecrop, the Korori Forest treecrop and the Awaroa Forest treecrop have been planted. The Land comprises the following titles: CTs WN24B/731, WN31C/494, and WN31C/495 (Rangiora); CTs WN38B/585 and WN8A/1435 (Korori); and CT WN30B/613 (Awaroa).
limited partners	Parties that own shares in a Limited Partnership. The Investors in Wairarapa Group Forest Investment become limited partners in the Wairarapa Group Forest LP.
Limited Partnership or LP	The registered MIS, Wairarapa Group Forest Investment has been structured as a Limited Partnership, Wairarapa Group Forest LP. The LP is an 'other managed investment scheme' for the purposes of the FMC Act and, accordingly, in certain places, this PDS refers to the LP as a 'Scheme' or the 'Investment'.
Limited Partnership Agreement	A Limited Partnership must have a written partnership agreement which sets out the matters agreed between the parties in respect of the operation of the Limited Partnership and the conduct of its business.



Managed Investment Scheme or MIS	<p>Wairarapa Group Forest Investment is a Managed Investment Scheme registered under the FMC Act.</p> <p>Generally, in a MIS:</p> <ul style="list-style-type: none"> • a group of people are brought together to contribute money in return for shares in the scheme • money is pooled together and used in a common enterprise • financial benefits are produced principally by the efforts of another person under the scheme • a 'responsible entity' (a licensed Manager) operates the scheme meaning that investors do not have day-to-day control over the scheme's operation. <p>Property investment such as forestry (land and trees) is a common type of MIS. Typically, an MIS manager will exercise skill, and provide expertise and decision-making in managing the forest and administering the investment. The Supervisor acts on behalf of the Investors to supervise the performance of the Manager and ensure it complies with its obligations under the FMC Act and the Governing Documents.</p>
Manager	In relation to a registered Scheme, the person appointed to manage the scheme property and investments and administer the scheme, Forest Enterprises Limited, is the licensed Manager of Wairarapa Group Forest Investment.
Net Stocked Area	The actual area of land in the forest that has a treecrop on it.
Offer or Intended Offer	Inviting applications for the issue and/or purchase of financial products.
Offer Register	The Offer Register contains information about financial products, issuer details and documents such as product disclosure statements. It is managed by the Companies Office and is found online at www.companiesoffice.govt.nz/disclose .
Offeror	According to the FMC Act, in relation to the offer of new financial products, the Offeror is the person who has the capacity, or who agrees, to transfer the financial products if the offer is accepted. Therefore, as the owner of the Wairarapa Group Forest Investment shares that will be transferred upon application, Forest Enterprises Growth Limited is the Offeror.
ordinary resolution	A resolution passed at a meeting of the Limited Partnership (or shareholders resolution of the General Partner) by a simple majority of limited partners (or beneficial owners of the GP shares) who are entitled to vote and in voting vote in favour of the resolution. An ordinary resolution is required for making most investor decisions.
pine	Pinus radiata. A fast-growing soft-wood tree that grows up to 35 metres and has many commercial uses. It is the most commonly grown tree in New Zealand's plantation forests. It is also known as Monterey pine and is native to California, USA.
pre-1990 forest land	Land that was in forest on 31 December 1989 and remained in predominantly exotic forest on 31 December 2007. It automatically became a mandatory participant in New Zealand's Emissions Trading Scheme. Practically, this means the Scheme has replanting obligations under the Climate Change Response Act 2002. As pre-1990 forest land, carbon credits will not be received by the Scheme during its second rotation.
Product Disclosure Statement or PDS	The name of the registered disclosure document produced by Forest Enterprises Limited for prospective investors as required under the FMC Act for new issue investments.
pruning	Removal of branches flush with the trunk to promote the growth of knot-free timber. There are 1–4 prunes (sometimes called 'lifts') that usually occur between 4 and 8 years after planting.
related party	<p>According to the FMC Act, the Manager must not enter into related party transactions unless they are at arm's length or approved by the Supervisor or Investors. A related party is a scheme-connected person such as:</p> <ul style="list-style-type: none"> • the Manager • any other person to whom the Manager has contracted out some or all of its functions as a Manager • an associated person of a scheme-connected person such as the Manager



Scheme	The registered Managed Investment Scheme that is Wairarapa Group Forest Investment.
Scheme Participant	The person(s) who own shares in the Managed Investment Scheme that is Wairarapa Group Forest LP for the purposes of the FMC Act. This PDS refers to the Scheme Participant also as the 'Investor' or the 'limited partner'.
Scheme Register	The Scheme Register contains information about managed investment schemes, scheme managers and documents such as financial statements. It is managed by the Companies Office and is found online at www.companiesoffice.govt.nz/disclose .
second rotation	A rotation is the period of time from when a forest is planted to when it is harvested. The second rotation refers to the second period that a treecrop has been grown on a particular area of land. Second rotation pine plantations have a range of superior qualities to the first rotation.
secondary market	This is the market Forest Enterprises operates to facilitate the sale and purchase of established Forest Enterprises financial products on behalf of existing clients by matching buyers with sellers.
share	The name of the unit of investment in a Limited Partnership formed under the Limited Partnerships Act 2008.
silviculture	Establishing, growing and tending forest crops.
special resolution	A resolution passed at a meeting of the Limited Partnership (or shareholders resolution of the General Partner) at which limited partners (or beneficial owners of the GP shares) holding at least 75% of the LP shares who are entitled to vote and in voting vote in favour of the resolution. A special resolution is required for major LP decisions such as the sale of Land.
Statement of Investment Principles and Objectives or SIPO	A document that sets out the investment governance and management framework, philosophy, strategies and objectives of a Managed Investment Scheme and its investment funds or portfolios. Under the FMC Act, all managers must ensure there is a SIPO for each MIS they manage.
stumpage	The net payment to investors for a stand of trees. Normally expressed as \$/hectare.
Sunset Option	The Offeror FEG has the right, under the terms of the Deed of Scheme Management, to buy back all shares in Wairarapa Group Forest Investment and to bring the Scheme to an end, if it still owns more than 25% of the shares on 30 September 2019.
Supervisor	In relation to this Managed Investment Scheme, the Supervisor is appointed to look after Investors' interests under the Scheme, per the FMC Act. Supervisors must be registered and are covered by the Financial Markets Supervisors Act 2011 (the FMS Act). The Supervisor of Wairarapa Group Forest Investment is Trustees Executors Limited
tending	The collective term for the various tasks (such as pruning) to improve tree form and wood quality, during the period between when a forest crop is established and the first thinning.
Treecrop	The Land and Treecrop on the Land are the primary assets of Wairarapa Group Forest Investment. The Treecrop is the crop of Radiata pine trees growing on the Investment's land that are being managed to harvest.
thinning	Removing stems within an area of trees to promote growth from the remaining treecrop.





Application Form

This Application Form is for an individual (or joint individuals) to purchase shares in the Wairarapa Group Forest Investment (SCH12481), in a personal capacity, and constitutes the Deed of Assignment and Power of Attorney for the purposes of the Deed of Scheme Management.

Please complete Part A, Parts B and C if required, read Part D, then sign Part E (all shaded areas).

PART A: Applicant Details

Application for the Wairarapa Group Forest Investment (SCH12481) by:

First Names	Last Name	Mr/Mrs/Other	Existing Investor? *	Overseas Person**
Applicant 1:			Yes/No	Yes/No
Applicant 2:			Yes/No	Yes/No
Applicant 3:			Yes/No	Yes/No
Applicant 4:			Yes/No	Yes/No
Postal Address:			Post Code:	
Email Address:			Phone Number:	

* Existing Forest Enterprises investors may not need to complete the customer due diligence sections in Part B and C of this Application. Please contact us.

** An Overseas Person is neither a New Zealand citizen nor ordinarily resident in New Zealand. Please contact us if you think you are an Overseas Person.

1. Application

Shares are **\$46** per share. Applications must be for a minimum of 200 shares and additional shares may be purchased. For example, the Initial Investment for 200 shares is \$9,200; and for 500 shares it is \$23,000.

This application is for shares for a total Initial Investment of \$

2. Declaration – Applicants to Sign in Part E

Each applicant named in Part A:

- Confirms that they have received the Product Disclosure Statement for Wairarapa Group Forest Investment.
- Acknowledges and agrees that they are bound by the terms of the Governing Documents (including the payment of Calls), and the terms contained in the Product Disclosure Statement and in this Application.
- Irrevocably appoints Trustees Executors Limited as their duly authorised agent for the purposes of signing any documents on their behalf necessary to register the shares in Wairarapa Group Forest Investment in their name.
- Grants to Trustees Executors Limited the Limited Powers of Attorney set out in Part D which is a condition of being a limited partner in the Limited Partnership, and being a beneficial shareholder in the General Partner.
- Confirms that every Applicant is aged at least 18 years and is of full legal capacity.
- Acknowledges that this Application will only be accepted if payment is received, and the documentation necessary, including customer due diligence, to settle the purchase of the shares is completed and returned.

3. Payment Options – Please Indicate by Ticking One Box

- ☐ Initial Investment deposited to Forest Enterprises Growth Trust Account 02-0688-0222006-04 at BNZ. Please identify your payment by entering the **last name** of Applicant 1 in the *Particulars* field, their **initials** in *Code* and **Wairarapa** in the *Reference* field.
- ☐ Cheque made out to *FE Growth Trust Account*.
- ☐ Overseas Investor not using a New Zealand Bank Account – Initial Investment deposited to the FE Growth Trust Account per these instructions:
SWIFT code: BKNZNZ22 | BSB: 020688 | Branch: Masterton | Account Number: 0222006-04



PART B: Customer Due Diligence

New Zealand's Anti-Money Laundering and Countering Financing of Terrorism Act 2009 requires all investors to provide proof of identification and residential address. All Applicants and any person acting on behalf of Applicants must complete Parts B and C.

The other information requested below are requirements of the Limited Partnership Act 2008 and the Income Tax Act 2007.

Post all forms and documents to Forest Enterprises PO Box 128, Masterton. Investors based overseas may scan and return by email to invest@forestenterprises.co.nz

Note for existing Forest Enterprises investors: If you are an existing Forest Enterprises investor and investing in the same personal capacity then you may not need to complete the customer due diligence sections in Part B and C of this Application. Please contact us.

Note for Overseas Persons: If you meet the definition of an Overseas Person (see Part A), there are different requirements of the documentation requested in Part C. Please visit www.forestenterprises.co.nz/forms to download the appropriate form or request a copy by email. Please contact us if you are unsure.

1. Individual and Joint Investors

Full Name of Applicant (copy from Part A)	Town/City, Country, and Date of Birth	NZ IRD Number	Residential Address including postcode (PO Boxes cannot be accepted)
Applicant 1:			
Applicant 2:			
Applicant 3:			
Applicant 4:			

2. Name of Person Completing Form on Behalf of Applicant(s) (if not already named in this application)

Your Full Name	
Town/City, Country and Date of Birth	
Your relationship with the Applicant(s)	
Contact email and phone number	

3. Nature and Purpose of Your Investment

Do you intend to hold the Shares for the life of the Investment?	Yes/No
If the answer is "No", what is the likely timeframe you intend to hold the Shares?	



PART C: Identity Verification for New Zealand Customer

This Part is to assist you to select and complete the permitted documentation required to verify your identity and residential address. Each Applicant needs to complete this Part. Download or request additional copies.

Do this by ticking your choices from the options available below and returning with this Application the documents selected for each of **1. Proof of Identification** AND **2. Proof of Residential Address**. The Proof of Identification documents must be certified in the manner set out in the shaded area below.

<h3>1. Proof of Identification</h3> <p>You have two options, <i>either A or B</i>.</p> <p>EITHER A ONE document required</p> <p>A certified copy of ONE of either</p> <p><input type="checkbox"/> The photo page of a current NEW ZEALAND PASSPORT</p> <p>or</p> <p><input type="checkbox"/> A current NEW ZEALAND FIREARMS LICENCE</p> <p>OR B TWO documents required</p> <p>A certified copy of ONE of either</p> <p><input type="checkbox"/> A current NEW ZEALAND DRIVER'S LICENCE or</p> <p><input type="checkbox"/> A current NEW ZEALAND 18+ Card</p> <p>AND</p> <p>A certified copy of ONE of these documents:</p> <p><input type="checkbox"/> New Zealand Birth Certificate or</p> <p><input type="checkbox"/> Certificate of New Zealand Citizenship or</p> <p><input type="checkbox"/> Credit, Debit, EFTPOS card with name/signature or</p> <p><input type="checkbox"/> Bank Statement or</p> <p><input type="checkbox"/> Government Agency Document</p>	<h3>Certification Process</h3> <p>The Proof of Identification document copies need to be certified by a Trusted Person within 3 months of when we receive it.</p> <p>If you photocopy the proof of identification documents yourself, please ensure you present the original(s) to the Trusted Person, and also photocopy the expiry date on the document.</p> <p>A Trusted Person can be any one of the following who must NOT be a relative or living at the same address:</p> <table border="0"><tr><td>• Lawyer</td><td>• Chartered Accountant</td><td>• Registered Medical Doctor</td></tr><tr><td>• Registered Teacher</td><td>• Minister of Religion</td><td>• Kaumatua</td></tr><tr><td>• Court Registrar</td><td>• Notary Public</td><td>• Police Officer</td></tr><tr><td>• Justice of the Peace</td><td>• Commonwealth Representative</td><td>• NZ Honorary Consul</td></tr></table> <p>Certification requires the Trusted Person to –</p> <p>1) sight the original document, and</p> <p>2) write clearly:</p> <ul style="list-style-type: none">- the Name of Trusted Person, and- their Designation, and- the following declaration: <i>'I hereby certify that this is a true copy of the original document which I have sighted and I am satisfied that it verifies the identity of the named individual'</i>, and- sign <p>(or the Trusted Person may use their own certification stamp)</p>	• Lawyer	• Chartered Accountant	• Registered Medical Doctor	• Registered Teacher	• Minister of Religion	• Kaumatua	• Court Registrar	• Notary Public	• Police Officer	• Justice of the Peace	• Commonwealth Representative	• NZ Honorary Consul
• Lawyer	• Chartered Accountant	• Registered Medical Doctor											
• Registered Teacher	• Minister of Religion	• Kaumatua											
• Court Registrar	• Notary Public	• Police Officer											
• Justice of the Peace	• Commonwealth Representative	• NZ Honorary Consul											
<h3>2. Proof of Residential Address</h3> <p>A copy of ONE of the following documents which must have your name clearly stated plus your residential address (PO Box addresses are not allowed):</p> <p><input type="checkbox"/> Utility Bill or</p> <p><input type="checkbox"/> Bank Statement or</p> <p><input type="checkbox"/> Government Agency Document (e.g. council rates bill, electoral notice, tax summary) or</p> <p><input type="checkbox"/> Kiwisaver Document or</p> <p><input type="checkbox"/> Insurance Policy</p> <p>This document does NOT need to be certified, however it must be dated within 6 months of when we receive it.</p>													
<h3>3. Politically Exposed Person</h3> <p>This is an individual who holds a 'Prominent Public Function' e.g. head of a country, government ministers, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprises.</p> <p>If you, or any of the persons listed above, or any immediate family member (including spouse, partner, child, child's spouse/partner or parent), hold or have held in the last 12 months a 'prominent public function' in any country other than New Zealand, please provide details of the function held and the country:</p> <div style="border: 1px solid black; height: 40px; margin-top: 10px;"></div>													



PART D: Limited Power of Attorney

A Limited Power of Attorney is granted by the Investor to the Supervisor to enable them to attend only to the statutory and procedural matters relating to the operation of the investment.

1. **Appointment of Attorney:** The Investor irrevocably appoints Trustees Executors Limited or any corporate trustee company that succeeds Trustees Executors Limited as the supervisor of the Scheme ("the Attorney") to be the Investor's Attorney with the limited powers given by this Power of Attorney.
2. **Powers:** The Attorney may in its own name and as the Investor's Attorney do or perform any of the acts set out in paragraph 5 below and will have sole discretion as to decision making with respect to this Power of Attorney.
3. **Binding and Non-Revocable:** The Investor agrees to be bound by whatever the Attorney may lawfully do by this Power of Attorney. The powers conferred by this Power of Attorney may not be revoked or suspended except with the prior written agreement of the Manager and the Attorney.
4. **Reliance on Power of Attorney:** No person dealing with the Attorney in good faith will be bound to enquire as to whether this Power of Attorney is in full force and effect or as to the propriety of anything the Attorney may do by this Power of Attorney. A written statement by the Attorney to the effect that the Attorney has no notice of the revocation or suspension of its powers and authorities under this Power of Attorney will be conclusive evidence to that effect.
5. **Power of Attorney under the Deed of Scheme Management and Limited Partnership Agreement (together "the Governing Documents")**

The Attorney will have the following limited powers:

- a. To appoint any director of the General Partner present at any meeting of the Limited Partnership ("Meeting") as proxy for the Investor (if not present at the Meeting) solely for the purpose of satisfying the common law requirement that a meeting cannot be held without at least two individuals present in person or proxy;
- b. To waive on behalf of the Investor (if not present at the Meeting) any irregularity in the notice of Meeting but only if the irregularity is of a technical or non-material nature;
- c. To vote for the resolution required by section 38(2)(b) of the Limited Partnerships Act to approve a new limited partner if the transfer has been approved by the Manager in terms of the Governing Documents;
- d. To approve an amendment to a resolution set out in a notice of meeting provided that the amendment is:
 - i. the correction of an error; or
 - ii. a qualification of the application or restriction of the effect of the resolution on limited partners; or
 - iii. for clarification and in the opinion of the Attorney consistent with the clear intent of the resolution;
- e. To approve an amendment ("Change") to the Governing Documents:
 - i. to comply with the provisions of any statute or statutory regulations; or
 - ii. if in the opinion of the Manager the Change is made to correct a manifest error or is of a formal or technical nature or is convenient and does not have a material adverse effect on the Investors, and the Change is subject to prior approval by the Supervisor;
- f. To execute on behalf of the Investor the documentation necessary to record any authorised changes to the Governing Documents; and
- g. to sign all documents necessary to transfer the Investor's shares in the Limited Partnership and the Investor's beneficial interest in the shares in the General Partner to FEG if the Sunset Option is exercised by FEG under the Deed of Scheme Management; and
- h. To vote on any resolution which in the opinion of the Manager is necessary to give effect to the underlying principles or benefits to the Limited Partnership of the other limited powers given by this Power of Attorney; or which is of a formal or technical nature; or which is convenient for the Scheme provided that the resolution does not have a material adverse effect on the Investor and has met with the prior approval of the Supervisor.



PART E: Acknowledgment, Confirmation and Signature(s)

Each Applicant is required to sign below in acknowledgement of the requirements and contents of this Application and that it is complete and accurate.

By signing this Application below, each Applicant acknowledges and confirms the matters stated in the Declaration in Part A, the accuracy of the information in Parts B and C (if required), and the appointment of Trustees Executors Limited as attorney under the Limited Power of Attorney set out in Part D.

This Application comprises:

- ☐ Part A Applicant Details including Declaration and Payment Options
- ☐ Part B (if applicable)
- ☐ Part C (if applicable)
- ☐ Part D Limited Power of Attorney
- ☐ Part E Signature(s)

Each Applicant's signature must be witnessed by someone at least 18 years of age, of full legal capacity, and independent i.e. they are not a partner, spouse or family member *and* not another applicant.

Signed by Applicant 1:		In the presence of:	
Applicant 1 Full Name:		Witness Full Name:	
Signature:		Witness Signature:	
Date:	Witness Town/City of Residence:	Witness Occupation:	
Signed by Applicant 2:		In the presence of:	
Applicant 2 Full Name:		Witness Full Name:	
Signature:		Witness Signature:	
Date:	Witness Town/City of Residence:	Witness Occupation:	
Signed by Applicant 3:		In the presence of:	
Applicant 3 Full Name:		Witness Full Name:	
Signature:		Witness Signature:	
Date:	Witness Town/City of Residence:	Witness Occupation:	
Signed by Applicant 4:		In the presence of:	
Applicant 4 Full Name:		Witness Full Name:	
Signature:		Witness Signature:	
Date:	Witness Town/City of Residence:	Witness Occupation:	

