



Te Tātarakihi July 2012



Peeni Henare (Trustee) and Mook Hohneck (Harvest Pro) on site 14/06/2012

Ngati Hine Forestry Trust - Panui 8

July 2012

Tena koe, ara tena koutou katoa,

The purpose of this panui is to update you all, the beneficial owners on key matters now that we are half way through 2012.

We are looking forward to reporting to all of you, our beneficial owners when we hold our Annual General Meeting on October 27th. Please note that due to the pending renovations at the Otiria marae, our AGM will now be held at the Matawaia marae.

1. Appointment of a Chief Executive Officer

In the April 2012 edition of Te Tātaraikihi, I advised that the Trustees were undertaking a process to employ a CEO. A very open and thorough process has been completed and I am pleased to advise owners that the Trustees have appointed Jonathan Rishworth.

Jonathan has come to us after recently holding the position of CEO at the Mangatawa-Papamoia Block and brings with him over 25 years of providing strategic leadership and business management skills. Mangatawa is a Maori Land Trust in the Bay of Plenty that included a beef farm, 2 kiwi fruit orchards, an avocado orchard, a plant nursery and a retirement village.



Jonathan has been instrumental in leading the growth of Mangatawa-Papamoia, maintaining communication with the shareholders and protecting the core assets.

As outlined at recent Annual General and Special General meeting's, our Forestry Trust has a strategy that seeks to move from the 'passive' investment of our assets and into an 'active' management regime. Essentially, this means that we will be more 'hands on' in terms of how we manage our assets. The employment of Jonathan Rishworth is based on our need to implement this new direction for our trust.

We therefore welcome Jonathan into this new role and are very excited about the skills, knowledge and experiences that he brings to our organization and with it, his ability to lead the implementation and achievement of our long term plans.

This new CEO position replaces the Trust Manager role which has been filled by Michael Corrigan up until this time. Michael is now no longer involved with the Trust and we thank him for his many years of professional and diligent service.

2. AGM Election Tie

Those of you who attended the 2011 AGM will recall that the election of Trustees resulted in a tie between Caroline Beattie-Wihongi and John Davis for the second of the two Trustee vacancies available. At the AGM it was decided that the Trust should seek a direction from the Maori Land Court as to how this tie should be decided.

At a recent Maori Land Court hearing to consider this matter the Deputy Chief Judge C L Fox presiding determined that the 2011 AGM election should be cancelled and that the current Trustees remain in place until the 2012 AGM election.

3. Proposed new Trust Order

The proposal to adopt a new Trust Order recommended by the Trustees was the main topic of a Special General Meeting held on the 3rd September 2011 and again at the 2011 AGM. The AGM resolved that the draft Trust Order be accepted and that it be referred to the Maori Land Court for formal approval and adoption.

The Trust has since made that application to the MLC for the new Trust Order to be approved and the Court has now advised that a hearing date has been set. This hearing to adopt the new Trust Order is also part of a review of the Trust in terms of Section 231 of Te Ture Whenua Maori Act 1993. The hearing will be held on:

- Monday 20th August 2012 - 2.30 pm at the Maori Land Court, Whangarei

This hearing is open to the public and beneficial owners. Any beneficial owner wishing to make a submission can do so in writing to: The Registrar, Maori Land Court, DX Box AX10086, Whangarei 0140, prior to the hearing. A copy should also be sent to the Trust. Any correspondence to the MLC should quote their reference A20110011868.

It should be noted that since the AGM the Trustees have considered that this proposed Trust Order should be further amended slightly and the Trustees will be recommending to the Court the following two changes be made:

- (a) That the quorum for a general meeting should be reduced from 40 to 20, because attendance at and during recent meetings has at times been around the 35 to 40.
- (b) That an extra clause be inserted into the Trust Order specifying the manner in which a tie at an election of Trustees is to be resolved. The Trustees are proposing that the following clause be inserted:

- i) "If after following the election process under section 4.8.7, and a tied vote which is material to the outcome of the election occurs between two or more nominees, then the tie shall be resolved by the chairman of the meeting calling for a "show of hands" from the individual beneficial owners present with each owner voting once. Voting shall continue until a clear winner results."

This proposed Trust Order can be viewed on the Trust's web site www.ngatihine.maori.nz or copies can be obtained by contacting the Trust.

4. The Matawaia Forest

The Matawaia Forest is made up of 436 planted hectares of pinus radiata comprising 1981-90 plantings. This includes the area around the Matawaia marae and much of the area in between the marae and James Road. Please note that the Matawaia Forest is soon to be harvested and TFL (Taitokerau Forest Ltd) have called for tenders to harvest that forest. Once this harvest begins, it is estimated to take 4/5 years to complete.



Pictured here is nanny Rina Shortland who was part of the ceremony that did the first planting of the Matawaia forest.

TFL is the owner of the trees (Forest right grantee) on this block and the Ngati Hine Forestry Trust is the owner of the land (grantor). TFL's interest in the trees is secured to the Crown given that it has been funded with Crown mortgage finance.

TFL is a forestry company comprising Maori shareholders which owns and manages 4,345 hectares of forest throughout Taitokerau which is made up of 13 different forests. The Matawaia Forest is one of these woodlots.

TFL's obligations are therefore to the TFL shareholders in the first instance and to the Crown as the mortgagee, to maximise returns from the sale of the forests. It will achieve this by selling the forest at the best price.

Please remember that all of our Ngati Hine forests are pre 90 forests under the ETS and as the land owner, we are responsible to meet any and all ETS liabilities. As land owner, our NFT must ensure that this block is returned to forestry after the harvest. TFL has secured a harvest grant which will be paid to NHT to fund the replanting.

In addition to obtaining the best commercial return from the forest, our Trust has an interest in securing as much of the harvesting and associated work for the local community as is possible. Please note that we will be looking at various options in which to achieve these goals.

5. Update on the Objective to Pay Dividends

The Trustees have listened carefully to the call from the owners to consider the payment of dividends at various general meetings. This issue has provided much frustration for Trustees as we seek to provide some return to our beneficial owners.

After the 2011 AGM, the Trustees met and asked that a sub-committee review the subject of dividend payments and to report back to the Trustees.

Our current position as articulated to the General meetings was that the payment of a dividend is not contemplated until after the first forest harvest which is timed for around 2019.

A fresh set of eyes were asked to be part of this sub-committee so that this position could be reviewed and communicated to the beneficial owners. Tui Shortland and Peeni Henare were asked to provide this fresh analysis and I joined this group along with Mike Corrigan.

After reviewing all the information, we concluded that we could still 'not' pay out a dividend until at least 2019/20. Therefore the original position remains. However, we have committed to putting in place a strategy that:

- Identifies a clear timeline for the payment of a dividend
- Outlines the reasoning for that timeline
- Annually update you the beneficial owners about the timeline and reasoning
- Begin developing the compliance requirements needed to pay a dividend
- Also promote other social and cultural alternatives to dividends e.g. employment

Our strategic plan has as one of its objectives - "To pay regular dividends to the owners, commencing after the first forest harvest". This has been an objective of the Trust for some years.

The main reason why the Trustees are currently unable to provide a dividend to the over 4,200 owners (with 1.8 million shares) is that:-

- The Emissions Trading Scheme (ETS) requires that the Trust must re plant its 4,564 hectares of pre 1990 forest. This re-establishment of a second rotation (2R) commercial forest and its on going management for 30 plus years is estimated to cost \$21 million.

Based on a price today of around \$7.00 per NZU (NZ Units) the ETS liability to the Trust for not re-establishing our forest would be \$5.5 million per 1,000 hectares.

The issues of the ETS, the 2R and their adverse impact on the ability of the Trust to consider a dividend payment have been widely discussed with the owners through newsletters and at every general hui held with owners since May 2009.

- The cost of forest re-establishment plus other financial constraints and potential risks (e.g. PsaV in the Trust's four kiwifruit orchards) means the Trust does not expect to have sufficient reserves to cover its capital commitments as well as be able to fund a dividends payment process within the foreseeable future.

The ability of the Trust to fund the second rotation is still dependent upon a number of events yet to occur, including the second tranche of ETS NZU's in 2013. Please note that our Trust will be expecting returns to be received from the Trust's 2 forests i.e., the Ruatangata and Matawaia forests which are due to be harvested from 2013 through to 2019.

As a caution and even on receipt of significant financial returns from these sources and the Trust's other revenue streams, without a Joint Venture partner to assist in funding the 2R, the cost to the Trust of self funding the 2R will use all of the Trust's foreseeable resources.

Needless to say, this is not a situation that we the Trustees or you the owners desire. However, it is the financial reality that we all face.

6. Shareholder Statistics:

- Shares issued by the Maori Land Court in Ngatihine H2B - 1,809,139
- There are some 327 shares issued for each one hectare of the corpus land; or one share approximately equals 31 square meters.
- Number of owners at 19 September 2011 - 4,274, although if "remainder" shareholders are included, this figure is closer to 6,000. If all successions were ever to be all brought up to date possibly the number would reach about 12,000.
- The ownership of the shareholding of the 1,809,139 shares ranges from the smallest shareholding of 0.1 of one share to the largest individual shareholding of 85,644.312 (being the Ngati-Hine Trust itself).
- Over two hundred owners have less than one share.
- The largest 22 owners hold 20% of the shares whilst 3,500 owners also hold 20%
- 400 owners have more than 1,000 shares.
- 50% of the owners own 4% of the shares and 50% own 96%.

7. Estimated Costs and Difficulties of Paying Dividends

To declare a meaningful dividend for 1.8 million shares, it has been suggested in the past that a dividend of a \$1 per share or 50 cents per share would have to be paid. Using \$1 per share as an example the Trust would need to have a clear (i.e. all debts paid off and sufficient reserves held) after tax paid amount of \$1.8 million.

This is a very significant sum of money to achieve and to achieve this level of commitment to dividend payment on an annual basis will be very difficult.

Initial work has been done to determine what processes would need to be established to undertake the payment of dividends, including studying other similar organisations that are making dividend payments. The issues and difficulties identified are significant and it is estimated that it would cost somewhere in the region of \$600,000 to \$800,000 annually to administer a dividends payment scheme.

It is estimated that only 30% to 40% of any declared dividend will be actually be paid out to shareholders on the basis that the contact details of most of the owners is unknown and many are deceased. The majority of monies declared will therefore sit in an unclaimed dividend account.

At this stage given what is known now the possibility of paying dividends can only be determined in 2019.

8. Kaiwae Harvesting Ltd - Joint Venture

As reported at various General meetings, our Forestry Trust entered into a joint venture with Harvest Pro, a forestry company based in Silverdale. The joint venture between the Trust and HarvestPro was aimed at harvesting the trees on the Ngati-Hine Forest lands. The JV was named Kaiwae Harvesting Ltd.

Kaiwae Harvesting gives our Forestry Trust the ability to have an ongoing involvement with the harvesting operations and the ability to encourage local people into harvest contracting and the ownership of equipment.

Here is the foreman of the Kaiwae Harvesting crew, Rob Morton of Matawaia posing with one of our beneficial owners, Mataroria Brown.



HarvestPro is an experienced and substantial forest harvester that operates 14 gangs on the East Coast and here in Taitokerau. The harvesting gang run by Rob Morton is one of these 14 harvesting crews and is currently operating in the Ngapipito area.

HarvestPro brings the following to the joint venture:

- Industry experience and credibility,
- A workable and experienced felling team, management and equipment
- An ongoing training & employment package,
- Sound financial, management and operational systems

Our Forestry Trust brings the following to the joint venture:

- Local knowledge and credibility,
- Resources to help develop the training and employment opportunity.
- Potential workers & trainees, monitoring etc

The joint venture has been in place for two years now. Our 2 directors on Kaiwae Harvesting Ltd are Edward Beattie and Peeni Henare. At present the directorship is looking to improve efficiencies in the harvest operations as well as to explore further training of our people interested in making forestry a career path.

We are also looking to further enhance our relationship with HarvestPro and with it the opportunities for our people. HarvestPro have recently entered into a partnership with a Japanese Company - Itochu and are part of a new company named Kiwi Forestry International Ltd.

Hei whakarapopoto i aku korero

In summary, I hope that this panui provides you with information that will help you understand where our trust is heading as well as to highlight some of the key issues facing us, your elected Trustees. We therefore look forward to seeing you at our AGM on Saturday 27th October where we will outline these issues in greater detail.

Kaati ra mo tenei wa. Tena ano koutou katoa.



Pita Tipene

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