

NGATI HINE FORESTRY TRUST

SPECIAL GENERAL MEETING

Saturday 20 April 2024

Tena rā koutou e te iwi

We invite you as beneficial owners of the Trust to a SGM – Nau mai, haere mai ra e te iwi.

The arrangements for the hui are:

Venue: **Tau Henare Marae, Pipiwai**

Date: **Saturday 20 April 2024**

Agenda:

9.00 am Beneficial Owner registration and morning tea

9.30 am Karakia and mihi

Hui commences, the purpose of this SGM is to discuss with and to obtain feedback from beneficial owners on the following topics; the Trust's Strategic Intent, dividends and other distribution options

1.00 pm Karakia whakakapi

Kai

Background:

This SGM was signaled to be held at the Trust's 2023 AGM in response to the desire of beneficial owners for the Trust to implement a dividends regime and/or provide other benefits. The SGM is also an opportunity for beneficial owners to have greater input into the Trust's strategic direction and its plan for the future. This SGM will include structured workshops to canvass these topics. The aim and purpose of the SGM is to obtain feedback and comment from you the beneficial owners so that this information can be considered as part of the Trustees ongoing strategic planning processes.

The topics to be workshopped are the strategic direction of the Trust, payment of dividends and alternatives to a dividend's regime. Some background detail follows with regards to these topics and further information will be provided at the SGM.

There will be no resolutions or voting on these topics because the purpose of this hui is purely to obtain beneficial owner feedback and input to assist and guide the Trustees with refining and enhancing their strategic planning processes. Out of this hui at some future General Meeting resolutions may be put to beneficial owners but at this stage this is merely an opportunity for beneficial owners to have a say in setting the future direction of the Trust.

Strategic Planning:

Within this newsletter is included a copy of the Trust's Strategic Intent presented for your review and feedback.

Beneficial owners present at this hui will be asked, in workshop sessions, for their comments and feedback on the current, and proposed, strategic intent documents. This feedback and comment will be considered by the Trustees as part of the process of reviewing and updating the Trust's strategic intent and its strategic plan.

This process may mean also reviewing the objectives of the Trust set out in the Trust Order – to essentially ask the fundamental question “what is the purpose of the Trust?” and what do beneficial owners want it to be doing in ten, thirty, 100 years?

Payment of Dividends and Alternatives to a Dividends Regime:

In previous communications to beneficial owners, it has been indicated that the payment of any meaningful dividends is still some way off. The challenges are the significant quantum of annual cash surpluses required plus the significant administrative cost of undertaking such an activity.

The context being the large number of Ngatihine H2B shares at 1,809,139 that are divided up between 5,500 plus beneficial owners together with the ongoing fragmentation of the shareholding via successions.

With the Crown Forestry Right now well established and the now very large investments in the kiwifruit industry which in a hand full of years will provide solid returns the Trustees are now undertaking some due diligence work to ascertain how dividends could be delivered, in what quantum and to how many owners, and within what sort of timeframe.

As advised at the 2023 AGM on the matter of dividends there is consideration being given to the other demands on Trust finances, in particular paying down debt and possibly investing further in land based annual cash deriving assets.

The thinking here is that despite the anticipated great returns from six SunGold kiwifruit orchards in just a few years this will still not be enough to sustain a

substantive dividends regime. Essentially, the Trust must keep growing its asset base as “standing still” is essentially the same as going backwards.

In July 2020 an analysis of the Maori Land Court share register was undertaken to compare with a similar analysis undertaken in 2009 and from these a calculation of the projected break down of shareholding was estimated. This analysis follows.

Size of Shareholding	No of Owners in this Range	No of Owners in this Range	Estimated No of Owners in this Range in 2030
	2009	2020	
0 to 20 shares	1,330	2,229	3,700
21 to 100	1,028	1,363	1,800
101 to 500	1,042	1,184	1,400
501 to 1,000	267	283	300
1,001 to 5,000	356	349	340
5,001 to 15,000	53	49	45
15,001 & above	6	5	4
Total	4,082	5,462	7,589

Notes:

- There are 1,809,139 shares in Ngatihine H2B
- In July 2020; 399 owners had less than 1 share.

Currently the Trust’s “Trust Order” (or Deed) has provision that if a dividend is to be declared then it has to be for all beneficial owners (shareholders) even if they have less than 1 share. In July 2020 some 2,229 shareholders or 41% of the shareholding had 20 or less shares. By 2030 this percentage is expected to increase to 50%.

With the number of beneficial owners increasing by 28% every decade by the time 2070 arrives the situation will be that virtually all of the then 18,000 beneficial owners will have no significant shareholding. The 2030 estimate of 7,500 owners and the 2070 estimate of owners at 18,000 could well be conservative; this is because once dividends are being paid there will no doubt be a flurry of activity with greater numbers of successions being undertaken.

Therefore, potentially by 2030 there could well be 12,000 owners and by 2070 there could be 30,000 owners. On this projection then at some point, probably

around 2035 to 2040 any dividend regime will probably have to cease because something like 95% of a much larger number of owners will have extremely small shareholdings. This would be a level whereby paying dividends would become uneconomic and not sensible, despite the huge incomes to be received from the Trust's percentage interest in the stumpage of the second rotation pine harvest. Therefore, unless the law and/or the Trust Order is changed any dividend regime may well be only a relatively short-term phenomenon.

The longer term view may be that the Trust should move from a shareholding based entity to more of a hapu / iwi focused entity with its purpose being to enhance the lives of those people associated with the whenua; rather than the purpose at present of being limited only to the beneficial owners.

This would mean instead of putting money into a few individual's pockets that investments instead could be made in education, health or housing as examples. A declared dividend of say \$1.00 a share equating to \$1.8 million per annum could bring a lot of benefit to the overall local community, particularly over a couple of generations. It's something to consider.

But getting back to the business of a dividends regime as things stand now. The administrative costs of maintaining records and individual ledgers for large numbers of shareholders who will receive no or little benefit would seem not to be sensible. Any monies in a shareholder account would not likely be paid out until a minimum threshold is reached, of say \$20.00.

It may be that consideration is given to changing the Trust Order to the effect that only shareholdings greater than X number of shares will attract any dividend that is declared. For example, this could be that only shareholdings of over 300 shares will be eligible for a dividend payment if a dividend is declared. Such a regime would not only be a manageable operation but also the dividends would be meaningful for the recipients. A per share dividend of a larger quantum would be possible under this model.

To recognise those shareholders/shareholdings that are still beneficial owners but don't attract a dividend consideration could, for example, be given to expanding the Post Graduate, Training and Marae Grants provisions with the Trust Order to provide greater flexibility and reach.

The Trust Order also currently has a requirement that before any dividend can be declared the Trust must have no debt or mortgages. To advance economically the Trust will probably always have some level of debt if it is to use the strength in its balance sheet to continue growth. This provision will need to be deleted if dividends are to be contemplated.

Another area of the Trust Order that will need thought given to is the matter of unclaimed dividends. For any dividend that is declared a very large part of it will end up in an unclaimed dividends account. To have large amounts of capital lying around in an unclaimed dividends account that can't be invested elsewhere (until the shareholder(s) is found or successions completed) is not sensible and would unnecessarily constrain growth and ability to do other things.

Again, the beneficial owners will be asked in workshops for their thoughts on a dividend's regime or adaptations or alternatives to it.

Summary with Regards to the SGM:

Please note that the purpose of this hui is for conversations to be held with beneficial owners to gain their insights and feedback.

There are no resolutions to be voted on and there are no changes to the Trust Order being proposed. The purpose is merely to obtain feedback and input.

This feedback and input will be considered by Trustees moving forward which may, or may not, result in formal resolutions being put to beneficial owners to be voted upon at some future point.

Should such changes be proposed the resolutions to effect any such changes will be advertised and notified to beneficial owners in advance of a General Meeting where they are to be considered.

Na reira haere mai, nau mai, piki mai ra koutou

A handwritten signature in black ink, appearing to read 'Pita Tipene', enclosed within a faint, dotted rectangular border.

Pita Tipene

Heamana

Ngāti Hine Forestry Trust Trustees:

Pita Tipene (Heamana)

Len Bristowe

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