



Ngati Hine Forestry Trust

2018 Annual Report

He mihi

Tena koutou e nga uri o nga tangata, no koutou nga hea kei raro i te marara o te Ngahere o Ngati Hine. Tena ano tatou e huihui mai nei i raro i te tuanui o tenei whare o tatou ki Ngararatunua.

Ka mihi tonu ki te hunga, na ratou te whakaaro kia whakakotahingia nga whenua, hei painga ano mo a ratou tamariki, mokopuna.

Na reira, ka mihi tonu ki te iwi kua ngaro atu i te tirohanga kanohi, kua haere ke i te ara kuiti, e kore ra ko te hoki mai. Ratou i takoto ai i runga ano i a tatou marae maha, haere koutou, haere koutou, haere, oti atu.

Ka hoki ano ki a tatou te hunga ora, e oke tonu nei ki te whakatutuki i nga kaupapa i wawatatia ai e ratou ma, tena ano tatou katoa.

a) Our Strategic Direction

It is a privilege to present this Annual Report to you the beneficial owners at this 2018 Annual General meeting.

The Trustees continue to implement the Trust's strategic plan of progressively becoming 'active' managers of the beneficial owners' collective assets and to also grow and extend the asset base.

A revised Strategic Intent document has been developed to provide greater clarity as to the direction of travel and a copy of this features later in this report.

The decision to enter into a Forestry Right with the Crown during the course of the year was the stand out achievement for the Trust which will bring huge benefits to the shareholders over the next two generations. There is much more commentary a little later in this report.

Here is our Strategic Intent

Te Pae Tawhiti – Our Vision

'He Whenua Hua—He Tangata Ora'

Productive lands - People Wellbeing

Kaupapa – Our Mission

'He Ringa Ahuwhenua, He Hanga Mahi' - To Actively Grow our Assets



b) Introducing the Trust's new Chief Executive Officer Tumu Whakarae

It is with much pleasure that the Trustees are able to introduce personally to you as the beneficial owners Ms Huhana Melanie Lyndon as its new Chief Executive Officer to lead the management of the Trust into the future.

Huhana Lyndon is of Ngati Hine [Te Orewai] and Ngati Wai whakapapa and her appointment to CEO fulfils one of the many expectations of the beneficial owners and those original Trustees responsible for the establishment of the Trust.

What is unique about this appointment is that it is the first senior management appointment from amongst its own beneficial owners that will have management oversight of the Trust and its activities which aligns with the Trust's vision that emphasises self-reliance.

c) Financial Report

The following is a summary of the 2017/18 financial result:

Income	\$1,526,314.00
Expenditure	(\$1,568,282.00)
Net Deficit	(\$ 41,968.00)

While the net deficit is \$41,968.00 the tax loss for the year is \$1,182,156.00.

The deficits these past two years, as has been signalled previously, is largely because of the non production of the Trust's Ahuareka Kiwifruit Orchard which was undergoing a cultivar conversion from Hort 16 A to Zespri G3. This orchard for the 2019 year will be back in full production. Again the loss from the Trust's manuka honey business has also contributed due to a mediocre season and the impact of vandalism of hives at a critical period.

The Trust during the year paid back to the orchard leasee the cost of converting the cultivar on Ahuareka Kiwifruit Orchard of \$311,558.00 and this cost has also contributed to the deficit being reported.

d) Forest Harvesting

The lessee of a portion of our lands, TPL 4 (Taumata Plantations Ltd), have, through their agents Hancock Forest Management NZ Ltd (Hancock's) been harvesting their lease area steadily since 2008.

As the TPL 4 forest lease area is harvested these harvested areas are progressively surrendered back to the Trust. Less than 360 hectares of productive forest land has yet to be harvested.

The expiry date of the lease to TPL 4 is 30 September 2021.



e) Second Rotation Pine Crop and Planting of Manuka - "The Deal" with the Crown

As has been reported to beneficial owners previously, the Trust's intergenerational land utilisation strategy, is to return as much of the Trust's lands back into a healthy native forest, in the meantime, it will be necessary to return, at least initially, a significant part of the forest into a second rotation, and third pine crop.

The Trust has in recent years undertaken significant land use mapping and analysis based on scientific evidence and best practice standards to determine the areas of the forest estate which are best suited for pine or manuka planting and possibly other native species. This detailed mapping also provides for the enhancement and expansion of existing native species, wetlands and riparian corridors along waterways.

The Trust is therefore implementing a mosaic approach as has been discussed at previous meetings with the long term goal to transition over time the forest lands from exotic pine to native species based on scientific evidence as to optimal land utilisation.

The very significant cost of undertaking a second rotation pine regime on areas best suited for pine by the Trust itself was just not financially possible. The Trust has been working for several years, including as part of the Trust's membership of the Taitokerau Maori Forestry Collective, to find a joint venture partner to assist.

The announcement about a Forestry Right having been negotiated with the Crown was conveyed to owners in the Trust's May 2018 panui, 'Te Tātarakihi'. Given that this decision is of such significance both now and for generations to come, large parts of the panui are repeated here, to provide an enduring record.

"...With the change of government in late 2017 the political landscape changed considerably and as a consequence the new coalition government has announced, as you will well be aware, new policy in the areas of Forestry and of Regional Economic Development. The Minister responsible for these two portfolios is the Hon Minister Shane Jones with Meka Whaitiri as the (then) Associate Minister of Forests.

The Regional Economic Development fund is being funded at \$1 billion a year and out of this funding is being made available to implement the Government's policy of planting an additional 1 billion trees over the next 10 years.

The Trustees had been in discussions and negotiations with both the Minister and his Crown Forestry officials over the past few months (January to April 2018) and I am now pleased to be able to advise that the Trust and the Crown have reached an agreement whereby the Crown via the mechanism of a Forestry Right will fund all of the costs of a second rotation pine forest.



This funding is coming from the Regional Economic Development fund and the planting of the trees on the Trust land will form part of the government's program of planting an additional 1 billion trees over the next 10 years.

This is a very significant and important event in the history of the Trust. While the financial details in terms of an annual rental and/or net stumpage share are commercially confidential, beneficial owners can be assured that from the Trustees perspective this is a great deal for beneficial owners.

It will also provide a boost for the forestry sector, it will create more jobs and training opportunities which will provide positive benefits for the local community.

Without providing any specifics, the Trustees can advise that the financial returns to the beneficial owners to be received from this Forestry Right upon harvest will be significant.

The Forestry Right with the Crown is for one rotation only and it includes the requirement for the Crown to plant a third rotation at its cost which will then be owned 100% by you, the beneficial owners.

The Forestry Right with the Crown includes the establishment of a Joint Management Committee which will enable the Trustees to actively participate in the oversight of all forestry activities over the period of the rotation.

Aside from the Forestry Right the Crown has also agreed to work with the Trust to establish areas (up to 495 hectares) of manuka planting within the forest estate and especially for riparian plantings and in culturally sensitive areas. The manuka plantings are substantial and will also allow the Trust with its manuka honey commercial objectives and possibly including products from Manuka oil.

The Forestry Right will assist in developing our forestry training programs in association with existing training providers and industry employers.

The Trust's long-term strategy remains the same and beneficial owners can be assured that our long term aim will see the return of more of our forest estate into native species. This agreement will also enhance the objective of our Trust becoming more active managers of our assets.

These goals and objectives have been intertwined into the Forestry Right agreement with the Crown, which over time will make a significant step towards the ultimate goal of self-determination including at the end of this second rotation the Trust finally owning and managing 100% of the third rotation forest crop.

This is an exceptional step forward given that the lease signed in 1981 with Carter's meant that the Trust only had a 9% share in the ownership of the crop that was planted in the 1980s.



Given that the pine trees planted by the Trust in the winters of 2011, 2012 and 2017 are included within this Forestry Right arrangement harvesting of the second rotation could start as early as within the next 15 to 18 years with a third rotation being commenced at that point.

While this Forestry Right with the Crown is the first out of the blocks in Taitokerau it is in the context of the greater Taitokerau Maori Forestry Collective's mandate which has been active for a number of years and comprises a number of Maori land blocks encompassing some 50,000 hectares.

The Trustees can assure beneficial owners that the lessons of the past have been well learned and that those learnings have been incorporated into the Forestry Right agreement with the Crown. For instance, it is untenable to have pine trees planted right up to the fringes of our waterways.

I can also assure beneficial owners that during the development of the financial model that underpins the Forestry Right agreement the Trustees engaged both professional forestry and legal advice throughout the process and that the Trustees were themselves leading the negotiations with the Crown.

It was both the Trustees and the Hon Minister Shane Jones desire that a joint announcement be made about this Forestry Right agreement having been entered into only after beneficial owners had been informed.

Regrettably events transpired beyond our control that meant that this deal with the Crown ended up being in the public domain via various media outlets ahead of time.

The Trustees therefore apologise to the beneficial owners for this happening.

Planting under this Forestry Right commenced during the course of the winter of 2018, the Crown having appointed PF Olsen as the forest management company to manage (under the over sight of the Joint Management Committee) the establishment of the second rotation pine crop. 191.7 hectares of pine have been planted to date.

I would just like to reiterate in conclusion that it is the Trustees' very firm belief that the deal that has been done with the Crown and incorporated in the Forestry Right agreement with the Crown will provide very real and exceptional benefits to you the beneficial owners both during the course of the Forestry Right rotation and particularly at the time of harvest.

f) Manuka Planting and Forestry Training Joint Venture with the Crown

Alongside the announcement of the pine plantation Forestry Right with the Crown on 31 May 2018 there was another announcement which did not receive as much coverage but was also alluded to in the Trust's May 2018 Te Tātara kihi. This announcement was made by the (then) Hon Meka Whaitiri the Associate Minister of Forestry.



It was about a separate joint venture between the Trust and the Crown to plant up to 495 hectares of the Trust's forest estate in manuka. This planting will run alongside a forestry training programme involving some 40 trainees designed to build our own people's capability and capacity.

The objectives of this manuka planting and training programme are the attainment of NZQA qualifications and full time meaningful employment. The programme is to run over two years 2019 and 2020.

This particular joint venture with the Crown is a significant step towards the Trust's vision of gradually replacing pine with native. These manuka plantings will also contribute to commercial returns derived from manuka honey and possibly other manuka products such as manuka oil.

g) Matawaia Forest

The Matawaia forest has been a distinct forest within the overall lands of the Trust. The harvesting of the 351 hectares of the Matawaia pine forest crop by Taitokerau Forests Ltd (TFL) which commenced in December 2013 is more or less completed with only a couple of hectares of pines in wet areas to be removed during the 2018/2019 summer.

Ngati Hine Forestry Trust entered into a 50/50 Joint Venture Partnership with Kiwi Forestry International Ltd in 2013. This partnership involves the planting and management for 28 years of the second rotation crop of the Matawaia Forest area.

Planting of a second rotation pine crop commenced in 2015 and concluded in the winter of 2018. A total of 283.1 hectares of second rotation pine has been established of which 50% is owned by you the beneficial owners.

The remaining areas are either very steep land and or wetland areas which will not be replanted in pine but rather be planted in manuka or left to regenerate back in to native.

h) Ruatangata Forest

This is an area of the forest comprising some 430 hectares of first forest crop, which until February 2015 was included in the lease to Taumata Plantations Limited (TPL 4) with the forest crop owned by the lessee TPL 4.

In May 2016 the Trust transacted a stumpage sale of this forest to Aubade New Zealand Limited. This sale was reported upon in the Trust's 2016 Annual Report and financial statements.

Aubade utilising local contractors has so far harvested 55% of this forest.



Aubade continues to support via a scholarship a young and local Ngati Hine forester with ongoing studies towards forestry industry qualifications.

The harvested areas within this forest will form part of the Forestry Right with the Crown, however, those areas which are not best suited for pine and are better suited to native will either be planted in manuka or left to regenerate back into native.

i) Emissions Trading Scheme (ETS)

All of the first rotation pine plantation of 4,564 hectares situated on the Trust land is pre 1990 forest in terms of the Climate Change Response Act 2002 (Emissions Trading Scheme). This means that the Trust must ensure that this land is returned to a defined forest species after harvest that meets the criteria which is laid down in the Emission Trading Scheme (ETS).

The ETS criterion states that at four years after harvest the land must either have 500 stems per hectare of exotic forest species (e.g. pine) or be regenerating predominantly in indigenous species (e.g. manuka) which is growing in a manner that is likely to become forest land ten years after the harvest and that at twenty years there is crown cover of at least 30% from trees that have reached 5 metres in height.

Any lands that end up not meeting this ETS criterion will be deemed to be "deforested" and the Trust would then have to return 750 NZU's (New Zealand Units) per hectare to the Crown. The risk of the Trust having to compensate for de-afforested land at some future time is considered to be extremely low, especially now given the pine Forestry Right with the Crown and the Forestry Service contract with the Crown to assist with planting up to 495 hectares of manuka.

The Trust still holds 171,172 NZU's which had a tradable value as at 30 June 2018 of \$3,611,730 (= \$21.10 per NZU). More recently the value of a NZU has risen to just over \$25.00.

In August 2013 the Trust lodged with the Waitangi Tribunal a contemporary claim against the imposition by the Crown of the ETS upon the Trust's forest lands. This claim is registered as Wai 2397. The Trustees are continuing to progress this claim in conjunction with its lawyers (funded via Legal Aid) as quickly as is possible, however, as reported previously any early resolution is not anticipated.

j) Manuka Honey

As at balance date the Trust owned and managed 520 hives in its own right with a further 350 hives owned by the Trust but being managed in a Joint Venture with Ngabush Honey Co Limited (Jim Ngawati).



Beneficial owners will recall that in the previous year the Trust posted a loss of \$225,478.00 within the manuka honey business, this was on the back of the worst manuka honey season experienced in New Zealand in 30 plus years.

This past season while better than the last was only average which would normally result in a small loss or break even scenario, however, the Trust suffered significant loss of production because of large scale theft and vandalism. This is not uncommon within the industry. Hence the recorded honey loss of \$198,263.00 in this year's accounts. The Trustees and CEO are working hard to turn this situation around and a number of changes to the way the Trust runs this business are being made.

During the year the Government (Ministry for Primary Industries (MPI)) established a regulation determining a scientific definition so as to determine what can be called Manuka Honey and what can't. For honey to be able to be labelled Manuka Honey and marketed as such it must be tested in an official laboratory and meet strict criteria.

The consequence of this new scientific definition of manuka honey and the accompanying testing regime has been that about 30% of the manuka honey crop in Taitokerau can now no longer be labelled Manuka. This therefore will translate into lower financial returns to beekeepers. The Trustees, and many others, believe that the testing regime is flawed and thus has resulted in this unintended situation.

The Trustees along with other beekeepers and organisations are lobbying MPI and politicians to change the testing regime and the definition criteria.

Despite these various challenges the Trustees believe that the manuka honey business has a good synergy with the whenua and that long term there is a bright future for Manuka honey and oil.

As has been reported previously the Trust is a member of a collective committee of Maori land owners who have interests in the manuka honey space; this collective has the name Taitokerau Miere.

The aim of this collective is capture the whole Manuka honey value chain from drum to overseas and domestic retail outlets. It is envisaged once fully operationalised that the collective will purchase honey wholesale from beekeepers, undertake extraction, bottling, marketing and distribution. The marketing to be based on the stories and culture of Maori within Taitokerau. The additional profits captured at the retail end being fed back through the value chain, right back to the land owner.

The collective is still undertaking business planning and due diligence activities, including the consideration of establishing joint arrangements with other appropriate industry players, as stepping stones towards becoming one hundred percent self reliant. Beneficial owners will appreciate that such an endeavour will require significant capital and access to markets and assistance from others, will at least in the medium term be required.



k) Nutraceuticals

The Trustees have established a Joint Venture Company, Hineora Limited, a vehicle for the Trust to enter into the nutraceutical industry. This is a 60% / 40% JV with the Trust holding the 60%. The JV partners are Peter Gregory and Jules Smith.

This business is based on extracting bio active substances from native plants located on Trust whenua and creating health products that can be sold with the Ngati Hine story both domestically and overseas. The Trust is still at the research stage of this project with funding having been received from external sources and with University expertise.

This business is currently being evaluated as considerable capital and expertise will need to be deployed to take it to the next stage of due diligence, extensive scientific research and exploration of marketing opportunities using the stories of Ngati Hine as the point of difference to maximise returns back to Ngati Hine.

This business has around it significant commercial sensitivity as this is an extremely competitive market and thus regrettably the Trustees are unable to disclose too much of the details at this early stage. It is also a long game.

l) Kiwifruit Orchards - Paparata, Te Tara Kowhai, Te Ara Kopeka and Ahuareka

The beneficial owners own four kiwifruit orchards in Kerikeri comprising in total some 35.75 hectares (88 acres) of land. Upon these orchards there are 24.17 canopy hectares of kiwifruit.

Paparata, Te Tara Kowhai and Te Ara Kopeka were purchased in June 2004 and then leased to Turners and Growers Horticulture Ltd and now Seeka for a term of fifteen years to expire in June 2019. These three leases are profit sharing arrangements. Paparata and Te Ara Kopeka are both Hayward Green orchards with a 70%/30% (in favour of the Trust) profit share and the leases on these two orchards both expire in June 2019. With respect of Te Tara Kowhai a variation of lease was agreed to at the time of converting its cultivar. The details of this are explained later.

The Trust's fourth orchard, Ahuareka, was purchased in December 2006 and it is also leased to Seeka (formerly Turners and Growers) on a 80%/20% profit share arrangement. The current lease expires on 30 June 2021.

During the winter of 2014 Te Tara Kowhai was converted from Hayward Green, Hort 16 A and Gold 9 to ENZA A19 a Turners and Growers Gold variety. The significant capital cost of this conversion was borne by Turners and Growers (now Seeka) and in return the net profit share arrangement was changed from 70%:30% to 37.20%:62.80% in favour of Seeka (formerly Turners and Growers) for a period of ten years. At the end of this ten year period the profit share will revert back to 70%:30% in favour of the Trust with the lease extending a further ten years to expire in June 2034. This conversion did not see a full crop being produced until 2018.



In July 2015 Ahuareka orchard was converted from Gold Hort 16 A to Zespri Gold 3. The capital cost of this conversion, including obtaining Zespri Gold 3 licence, at a special Hort 16 A to G3 concessional licence fee, was fully funded by the Trust, although costs of conversion of \$311,558.00 were being held by Seeka (formerly Turners and Growers) and have been repaid to within the 2017/2018 financial year. The net profit share arrangement for this orchard therefore remains 80%:20% in favour of the Trust. This conversion did not see a full crop being produced until 2018.

In June 2018 Turners and Growers sold the bulk of their Kerikeri operation (Kiwifruit and Avocado orchards and Pack House) to Seeka Limited. The lessees interest in the Trust's four orchard leases were also sold to Seeka. Seeka is therefore now the Trust's lessee for all four kiwifruit orchards.

The cost of purchasing the Trust's four kiwifruit orchards and subsequent capital improvements has been \$4,802,508.00. The current capital value of these four orchards has been estimated at around \$9.7 million.

Given that the Ahuareka orchard which is Zespri Sungold G3 provides around 63% of the financial returns from the Trust's four orchards it is critical that the either the other three orchards have cultivar conversions (to G3) undertaken or one or more orchard is sold, the proceeds used to capitalise either cultivar conversions on another orchard or to purchase alternative orchards that are already producing Zespri G3.

With the change to Seeka new opportunities have opened up and these along with the consideration of increasing revenue from the Trust's ENZA A19 gold orchard and two Hayward Green orchards is currently under extensive consideration.

At the time of writing this report the Trustees are continuing due diligence on a conditional offer that has been made to purchase an additional Zespri Gold kiwifruit orchard in Kerikeri. Subject various conditions, including finance, being met the Trustees will proceed with this purchase utilising a mix of Trust cash and bank borrowing.

The Trustees also intend to change the cultivar on Te Ara Kopeka from Hayward Green (HG) to Zespri Gold during the winter of 2019. It is envisaged that this conversion cost will also be funded by a mix of Trust cash and bank borrowing.

The Trustees are also presently working through a process or renegotiating with Seeka the leases on all four orchards plus the new fifth orchard if purchased. These leases once finalised will be an enhancement on the current leases that are in place.

The Trust's investment in kiwifruit is significant and is now a major focus for the Trustees given that the future of the forest estate is now basically been sorted out.

Seeka operate an active cadetship scheme and already this is benefiting our own people.



m) Zespri Shares

The Trust owns 327,080 shares in Zespri. During 2017/2018 the Trust received \$245,310.00 in net cash dividends.

During 2018/2019 (in August 2018) the Trust received \$353,064.69 in cash dividends plus withholding tax credits and imputation dividends equating to a gross dividend of \$526,962.22.

The total cost of purchasing these Zespri shares between 2005 and 2011 was \$292,037.00. To date the Trust has received a total of \$1,068,969.00 in cash dividends plus a further \$526,507.06 of withholding tax and imputation credits bringing the total to \$1,595,476.06. An average annual rate of return of 26%.

Zespri have forecasted a dividend range for next year (2019) of between \$1.35 and \$1.40. At \$1.35 this will reap \$441,558.00 in cash dividends plus withholding and imputation credits.

The value of a Zespri share as at 18 October 2018 was around \$7.95. At this value the Trust's shares are worth in the region of \$2.6 million.

The Zespri shares investment has therefore been a star performer for the beneficial owners.

n) Housing Portfolio

The beneficial owners at the beginning of the financial year owned twenty two homes, of which twenty one are located in Kaikohe, Kawakawa and Moerewa and most were leased to Housing New Zealand. The other home is located on the Ahuareka Orchard in Kerikeri.

As reported to beneficial owners last year the Trustees decided that the provision of social housing is no longer a primary objective of the Trust and as a consequence the Trustees have commenced selling the eleven houses in Moerewa and Kawakawa. One house was settled in the 2017/2018 financial year. The remaining ten homes have either been sold or will be sold by the end of November 2018.

The capital freed up from the sale of houses is to be reinvested in other core business assets (e.g. kiwifruit conversions to a higher performing cultivar as discussed above) of the Trust or in new business or a mixture of both.

o) Dividends

As reported at past Annual General Meetings, and particularly at the Special General Meeting at Motatau Marae in August 2017 the payout of any dividends is not able to be contemplated in the immediate future.



The stumpage sale of the Ruatangata Forest did provide a significant cash injection, however, after tax and paying off all of the Trust's debts the remainder it was used to expand the Trust's manuka honey business and to compensate for the loss of income from the Ahuareka Orchard kiwifruit cultivar conversion process.

Now that the Ahuareka kiwifruit conversion has been completed and full production is achieved then this income together with the income from the Crown Forestry Right rental, the Zespri share dividends and in the longer term income from the manuka honey business the Trust's financial situation has stabilised.

However to achieve the significant quantum of annualised cash flow income that would sustain and ability to pay dividends many more years of capital investment in manuka honey, kiwifruit, nutraceuticals and possibly other businesses is required.

Certainly once the harvest of the pine second rotation begins there will be very large financial returns that begin to flow into the Trust. At that point some big decisions will need to be made in terms of making further investments (meaning expanding the asset base to a large extent), keeping sufficient reserves to maintain the third rotation pine crop which the beneficial owners will own 100% of for 25 years until its harvest vs. using all or part to pay a dividend(s).

As time goes on the fragmentation of shares via successions if left to continue at its present rate of travel could potentially mean that paying dividends is neither practical, sensible nor meaningful.

By way of example an analysis to the breakdown of the 1,809,139 shares that Ngatihine H2B has undertaken in 2009 revealed that of the then 4,083 beneficial owners 1,700 of these had less than 37 shares and only 60 beneficial owners had 4,000 shares or more. 200 beneficial owners had less than 1 share.

The situation today is that there are around 5,000 beneficial owners in an increase of nearly 20% in just nine years and also consequently the shareholding has been fragmented still further making the payment of dividends more problematic and probably less of a sensible undertaking.

The business of dividends is still a far way off and others will at some point in the future have to grapple with alongside considering other ways of rewarding or benefiting the beneficial owners and their communities.

p) Marae Grants

There is provision within the Trust Order that allows the Trustees to make grants to Marae for capital building projects. A Marae Grants policy was approved at the 2017 AGM and subsequently two Marae have made applications for funding. The Trustees continue to work with these Marae with respect of their projects. Trustees have not at the time of writing made any decisions on these applications.

Applications from other Ngati Hine Marae are invited for the next round opening in 2019.



q) Shares in Ngatihine H2B held by the Trust

During the 1960s, 1970s and early 1980s the Crown purchased shares from various Ngati Hine owners on a willing buyer/willing seller basis. These shares were purchased by the Maori Trustee in 1983 who at that time was the sole Trustee of the Ngati Hine Forestry Trust. At that time the shares owned by the Trust totalled 91,208. At the time of this transaction the Maori Land Court specifically ordered that the voting rights which may otherwise attach to these shares at AGM's et cetera shall not be exercised – they are to be neutral shares which, in the hands of the trustees, shall not confer beneficial rights.

At the 1999 AGM beneficial owners resolved that the shares be offered back to the original owners to purchase at a value of \$3.46 per share. Only one whanau took up this offer to purchase "their" 5563.688 shares.

The Trust therefore has since that time retained 85,644.312 shares in itself. As stated above there are no voting rights attached to these shares.

For the purpose of the buyback offer as described above the Trust's accountant undertook a valuation of these shares in September 1999 and determined a value at that time of \$3.46 per share. A valuation then was relatively straightforward to complete because the Trust had a very limited asset base at that time.

If the Trust were to have a new comprehensive current market valuation completed to determine the value of a Ngatihine H2B share then full registered valuations of all of its assets, forest, houses, orchards et cetera would need to be obtained at some considerable cost. Given that there is no practical need or requirement for such a gold plated valuation the Trustees believe that the significant expenditure required to undertake this process is not warranted.

However the Trust's accountant has prepared, as a cost-effective alternative, an analysis of valuation based purely on the movement of the equity value of the Trust. Based on the asset and liability values recorded in the Trust's 2017/2018 financial statements, the indicative value of a Ngatihine H2B share is \$5.43. This compares to a value of \$5.44 in 2016/2017 and \$3.46 in September 1999.

r) Study Grants

In terms of clause 7.8 of the Trust Order the Trustees during this year have continued to support Pira Vakatini who is studying for his Diploma in Forestry Management at Toi-Ohomai Institute in Rotorua.

Also this year the Trust has provided support to Jean Morton who is also studying for his Diploma in Forestry Management at Toi-Ohomai Institute in Rotorua.



A total of \$10,000.00 was sent during 2017/2018 supporting these two recipients which is the maximum spend able to be made in any one year in terms of the Trust Order.

s) Summary

The year has been dominated by the signing of the Forestry Right and Manuka Planting Programme with the Crown. This was a watershed moment in the history of the Trust which will generate considerable wealth for the beneficial owners over the next generations and beyond.

Now that the future of the forest has essentially been sorted out through significant Crown funding the Trustees have now turned their attention to the other aspects of the Trust's businesses guided by a revised and more clear Strategic Intent with the Trust's new CEO Tumu Whakarae Huhana Lyndon playing the pivotal role.

In particular big decisions about enhancing the Trust's kiwifruit investment are currently being contemplated.

A bright future is very much assured, albeit the long game being played.

E mihi tonu ana ki a koutou katoa.

Tena ra koutou katoa.

A handwritten signature in black ink, appearing to read 'Pita Tipene'.

Pita Tipene
Chairman
Ngati Hine Forestry Trust