

PAROA TRUST
MINUTES OF THE ANNUAL GENERAL MEETING HELD AT THE WAIPAPA-A-IWI MOHAKA MARAE ON
SATURDAY 10 FEBRUARY 2007 COMMENCING AT 10.30am

1.0 KARAKIA	The meeting opened with a Prayer by M Mc Dermott	
2.0 MIHI	C K King	
3.0 PRESENT	L McDonnell (Chairman), W Johnson, W Waaka, W Hodges, M McDonnell, D Aramakutu (Trustees), S Matthews (Auditor), A O'Connor (Farm Manager) and H Collier(Farm Consultant/Secretary) and approximately 35 owners and guests.	
4.0 APOLOGIES	T Heta, A Hura, W Ruwhiu, H Bielki, A Pere, H Hawkins, R Hodges, H Hodges and B Gemmell. It was resolved apologies be accepted	Moved: P McMin Seconded: N Crown CARRIED
5.0 MINUTES FROM THE PREVIOUS ANNUAL GENERAL MEETING HELD 15 OCTOBER 2005 WERE READ	It was resolved they be confirmed as a true and correct record	Moved: E Hohipuha Seconded: R Stuart CARRIED
6.0 MATTERS ARISING ▪ <u>Vineyard</u>	The reasons for the vineyards losses were queried. The Chairman replied the fundamental problem was that the varietal mix was wrong and unable to provide the level of income necessary for the vineyard to be profitable.	

7.0 ANNUAL REPORTS

▪ Trust Directory

The Annual Reports were presented by H Collier and S Matthews.

▪ Financial Results

The Secretary apologised for the omission of W Johnsons name on the Trust Directory.

Gross Farm Income: \$336,760
Farm Expenses: \$415,943
Nett Loss: \$ 79,183

In explaining the past years results, the Consultant noted the lamb schedule had dropped by 22% between December and March. This had a significant impact on sheep pricing. In addition the value of cattle on hand fell, also eroding the Trusts profitability.

<ul style="list-style-type: none"> ▪ <u>Cattle Account</u> 	<p>This shows a surplus of \$195,243, a fall of almost \$70,205 from 2005.</p>
<ul style="list-style-type: none"> ▪ <u>Sheep Account</u> 	<p>Cattle numbers were up by 99 head to 973 at closing.</p> <p>Recorded a surplus of \$95,492, down by almost \$100,000 from 2005.</p> <p>Sheep numbers increased to 3,403 head. Lambing from ewes was 145%. When hogget lambs were included lambing increased to 149%.</p>
<ul style="list-style-type: none"> ▪ <u>Wool Account</u> 	<p>This shows a surplus of \$39,929. Wool volumes were similar to 2005 at 15,390kg.</p>
<ul style="list-style-type: none"> ▪ <u>Vineyard account</u> 	<p>This showed a loss of \$14,924 compared with \$3,699 last year.</p>
<ul style="list-style-type: none"> ▪ <u>Farm Expenditure</u> 	<p>Repairs and Maintenance was down at just \$68,411.</p> <p>Fertiliser application was just 29.5 tonne compared with a maintenance requirement of 170 tonne.</p> <p>Fencing expenditure had increased to \$33,771.</p> <p>Work on the new airstrip had been completed during the previous year. As well partial refurbishment with new joinery in the kitchen in the managers homestead had been done.</p>
<ul style="list-style-type: none"> ▪ <u>Statement of financial position</u> 	<p>Total Trust assets were valued at \$4.2 million. Against this were liabilities of just \$334,683.</p>
<ul style="list-style-type: none"> ▪ <u>Audit report</u> 	<p>The Audit Report for the year was unqualified. The auditor reinforced the point that the loss was largely a function of falling stock prices, and not a reflection of the farming expertise.</p> <p>He commented he was pleased to see the Trust had diversified into real estate which had been purchased in Auckland. He also commented that he was pleased to see the Trustees paying a dividend, relying on reserves to fund it.</p>
<ul style="list-style-type: none"> ▪ <u>Goat Sales</u> 	<p>In response to a question the Chairman said the Trust was planning to sell goats this year. The animals on Paroa are feral and were not part of the normal farming operations.</p>

▪ Paroa Trust Holdings Ltd

R Stewart asked why Paroa's investments were held in the Holding Company.

The Chairman replied they were kept separate for legal reasons. The aim of the Holding Company and the investments it made was to achieve capital gain. The Chairman commented that a recent valuation of one of the Auckland properties was \$530,000 compared with the \$430,000 purchase price. He added the Holding Company made a loss during the year. However he explained this was after interest and excluded capital gains.

▪ Mohaka Partnership

Paroa's exposure to the Vineyard was a 10% share of the partnership. The Trust received rental for the land on which the vineyard was situated.

▪ Real Estate Market

C Wainohu asked if the board was looking to diversify into real estate. The Chairman replied PTHL was the vehicle that was being used for this.

C Wainohu then asked about commissions that may be paid to the Chairman for selling property. The Chairman replied he may be a related party and that processes and documentation were in place to ensure such transactions were conducted appropriately. The Auditor confirmed he had viewed the related party documentation and was satisfied that all matters had been appropriately dealt with. B Hodges commented the Trustees had confidence in the Chairman and they were also satisfied that all matters were being dealt with appropriately.

▪ Mohaka Estate Vineyard Partnership

The membership of the partnership was questioned. The Chairman confirmed the two parties involved were Paroa Trust and Nobile Vintners Ltd. The fundamental reason for the poor performance of the vineyard was its exposure to muller thurgau. This was a low value bulk variety. Demand for this product had decreased significantly since the vineyard was planted. This resulted in very low prices paid for the juice.

N Wainohu asked how long PTHL had existed. The Chairman replied the Company had been in existence and operational for about 3 years. Copies of the Companies accounts were available on application to the Secretary.

It was resolved the Annual Reports be accepted.

Moved M McDermot
Seconded: M Farmer
CARRIED

8.0 GENERAL BUSINESS

▪ Variation of Trust Deed

The Chairman explained variations to the Trust Deed had been advertised with the notice of meeting. Except in 3 areas, most of the amendments were of a minor nature, and as an example he cited the changing of the papers with advertisements to Hawkes Bay Today from the Daily Telegraph and Herald Tribune. He then asked the Secretary to outline the four main changes to the Trust Deed.

Title Block

Paroa has 2 blocks. These were Mohaka C12 and Mohaka A27. When the survey of Paroa was completed some 9 years ago, Mohaka A27 had not been included as part of the consolidated property. As part of the review the Trustees wished to address this.

Liability and Indemnity of Trustees

The Secretary reported that this was a "Contrary intention: to Trustee Act 1956. The clause would read:

- (1) No Trustee shall be liable for any loss suffered by the Trust or by any Beneficiary of the Trust arising from any action taken or omission of such Trustee as a Trustee under this Order and it is expressly declared and acknowledged by the Trustees that this exemption from liability is a "contrary intention" for the purposes of sections 13B, 13C and 13D of the Trustee Act 1956 as amended by the Trustee Amendment Act 1988, PROVIDED that such action or omission is not attributable to such Trustee's own dishonesty or to the willful commission or omission by such Trustee of any act the commission or omission of which is known to such Trustee to be a breach of trust.
- (2) Breach of Trust
No Trustee shall be bound to take any proceedings against a co-Trustee or former Trustee for any breach or alleged breach of trust committed by such co-Trustee or former Trustee.
- (3) Trustees indemnified
Each of the Trustees shall be entitled to a full and complete indemnity from the Trust for any personal liability such Trustee may incur in any way arising out of or in connection with such Trustee acting or purporting to act as a Trustee subject however to the proviso in (1) above.

The Secretary explained that this clause was intended to limit the liability of the Trustees to the assets of the Trust. It was intended to limit any risks to Trustees personal assets., provided that Trustees had not been dishonest in their dealings.

Putea Account

This clause was intended to allow the Trustees to better manage the distributions and deductions.

To establish a Putea Account

- (a) Upon all or any distribution to beneficial owners the Trustees may:
- (i) Where the Trustees have for the purpose of avoiding uneconomic payments set a minimum payment figure they may direct that any entitlement to payment above the minimum payment figure be retained in the beneficial owners distribution account until the balance in that account reaches the sum of \$10.00 or more at which time the beneficial owner is entitled to receive payment
 - (ii) set a minimum distribution figure (being not more than the sum of \$2.00) and to pay to an account to be known as a Putea Account the share of any person to receive less than the minimum distribution figure; and in that event the Trustees shall further deduct from the share of all persons entitled to more than the distribution figure an amount equal to the minimum distribution figure or the amount to which they are entitled, whichever is the lesser, and pay the same to the said putea account; and
 - (iii) pay to the said putea account the shares of those persons for whom the Trustees are not holding a current address or who are deceased or in respect of whom distributions are returned unclaimed.

It was explained all beneficiaries would pay \$2 or a lesser amount, should their entitlement not exceed that amount into the Putea fund. As well no payment would be made until the minimum balance in the beneficiaries account was \$10 or more.

C Cookson suggested small share holdings should be exempt

from contributing to the Putea fund. She noted that in many cases smaller shareholdings would not receive anything from Paroa.

In response to a question about the size of shareholdings. The Chairman confirmed some owners had less than 1 share. In cases where owners had less than 2 shares at a \$1 per share distribution they would effectively contribute all their entitlement to the Putea fund. Those owners who had more than 2 shares, but less than 10 shares, would need to allow their distributions to accumulate until the \$10 payment had been achieved.

It was resolved the variation to the Trust Deed as recommended by the Trustees be approved.

- Sound System

H Hokianaga asked if a sound system could be used as he felt it was difficult to hear.

- Marae donation

C King as deputy chairman of the marae thanked Paroa for their contribution towards the building project over the years.

- Vineyard

The Chairman explained Nobilos wished to dissolve the partnership. This had been considered by the Trustees. The current lease was due to expire in October of 2007.

Discussions with Nobilo on the matter were ongoing. The Chairman felt that Paroa had better uses for the land. As a result it may be in the Trusts interests to cease with the vineyard and put the land to other uses.

M Wainohu asked how Nobilo would leave the land. The Chairman replied the land would be left clear and replanted in appropriate grasses. He added that these were matters of the ongoing negotiations. She then asked about the impact of the grape virus on the land. The Chairman explained the virus affected production levels only and had no residual effect on the vineyard. It was resolved beneficiaries support the disestablishment of the vineyard.

- Wananga

W Hodges suggested a wananga be held for those wishing to become Trustees of Paroa. He felt this was an important and necessary part for proper succession to be put in place for Paroa.

M McDonnell commented that she would be standing down as a Trustee. She was keen to allow younger Trustees to take her place. It was resolved a wananga be held for the purpose of training prospective Trustees.

- Tree planting

E Hohipuha thanked D Aramakatu for planting trees as part of a beautification process for Paroa.

- PTHL

The Chairman explained that PTHL was a privately owned company wholly owned by Paroa Trust. As such it would not call a meeting. He reiterated copies of the accounts were available on application to the Secretary.

Mydocs/paroa/agm/mins10feb

Moved: W Hodges
Seconded: W King
CARRIED

Moved: H Hokianaga
Seconded: M Joseph
CARRIED

Moved: W Hodges
Seconded: M Joseph
CARRIED

<ul style="list-style-type: none"> ▪ <u>Education Grants</u> 	<p>H Hokianaga asked what was being done about education grants. W Waaka replied the Trusts preference was toward farm training. She thought this skill would benefit the Trust most. M Joseph felt support should be extended towards all careers and not limited to farming solely.</p>	<p>Moved: W Hodges Seconded: E Hohipuha CARRIED</p>
<ul style="list-style-type: none"> ▪ <u>Election</u> 	<p>Three Trustees were retiring by rotation. These were M McDonnell, T Heta and W Waaka. M McDonnell had advised that she would not seek re election. T Heta were eligible for a further term of appointment. As well E Aramakatu and C Wainohu had been nominated. The Chairman then invited each of the candidates to present themselves to the meeting.</p>	
<ul style="list-style-type: none"> ▪ <u>Appointment of scrutineer and returning officer</u> 	<p>It was resolved S Matthew and H Collier be appointed as scrutineer and returning officer.</p>	
<ul style="list-style-type: none"> ▪ <u>Basis for voting</u> 	<p>E Hohipuha asked for the ballot to be conducted on the basis of shares.</p> <p>The meeting then adjourned to let voting proceed.</p>	
<ul style="list-style-type: none"> ▪ <u>Election results</u> 	<p>The Chairman confirmed the successful candidates were: T Heta, W Waaka and E Aramakatu.</p>	

There being no further business the meeting was closed at 1.00pm with a Prayer.

Read and Confirmed

Signed:.....
Luis McDonnell
(Chairman)

Dated:.....