

PAROA TRUST

MINUTES FROM THE ANNUAL GENERAL MEETING HELD AT THE MOHAKA MARAE, SATURDAY 3RD OCTOBER 1998 COMMENCING AT 10.30 AM

Present: Mr L McDonnell (Chairman), Mr W Hodges, Mr D Aramakutu, Mr G Pomana, Mr P Albert and Mrs M Aramakutu (Trustees). Mr A O'Connor (Farm Manager), Mr H Collier (Consultant/Secretary) and about thirty-six owners.

The chairman called the meeting to order and welcomed everyone.

Karakia: Dan Winiata.

Mihi: C King.

Apologies: Mr R Coates (Auditor), H Hawkins, W Hawkins and R Paku.

Minutes from the 1997 Annual General Meeting were read by the secretary and it was resolved they be adopted as a true and correct record.

Moved: W Hodges

Second: E Hohipuha - carried

MATTERS ARISING

Age Grants The entitlement for Age Grants was that they were payable to those shareholders 60 years of age and older, present at the Annual General Meeting.

Amendment The scrutineers at last year's election included E. Waaka.

Hodge's Reunion Mr W Hodges reported that his family had visited Paroa during their reunion. He advised that comments made by family members about Paroa had been favourable.

Election Results Mrs H Heke asked for future election results to be notified and recorded in the minutes, in addition to the list of successful candidates.

Mr W Hodges suggested that should beneficiaries want the actual results of voting to be recorded, such request should be made immediately the election results are notified. This could allow election results or disputes to be considered prior to voting papers being destroyed.

It was also noted the appointment of trustees' was made by the Maori Land Court. Any beneficiary who wished to object to any trustee appointments, could do so at the hearings to confirm the appointment of trustees'.

ANNUAL REPORTS

The Chairman's, Auditor's, Consultant's and Financial Reports for the past year were presented.

Gross Income was \$197,687.

Total Expenses were \$279,344.

The net result was a deficit of \$81,657. The loss was attributed to the drought, which had severely impacted upon the production season.

The effects of the drought were:

- An inability to finish stock, for lambs this was calculated to have cost \$38,000.
- A reduction in the value of stock on hand at Balance Date.
- A reduction in the volume of wool sold.

As well, extra investment in fertiliser and fencing had been made.

After the presentation of the Annual Reports, Mr L McDonnell noted that the size of the loss could have been limited. However, the decision was made to take a long term view on Paroa's farming business, and to commit the necessary reinvestment in fertiliser and fencing.

Mr W Hodges noted that there were social benefits which the Financial Statements did not take into consideration. Specifically participation in the vineyard had created employment opportunities locally, while shearing was done by locals.

The farm consultant explained Paroa was changing its cattle policies towards bull beef production. He indicated that this could create employment opportunities for locals and Paroa would need to source replacement cattle.

Several beneficiaries spoke on this matter.

Some calf rearing had been done in the district previously. Past experiences had been both favourable and unfavourable.

Issues identified were:

- a) The commitment needed to successfully rear calves.
- b) Management skills required.
- c) Sales of calves.

Mr C King queried some of the projections for the future. He suggested that having viewed the current state of Paroa stock, the projections were optimistic.

The chairman replied the projections were not for 1999. The trustee's recognised they needed to make a longer term commitment to Paroa and the projections were those they expected.

High priority areas for Paroa remained:- fertiliser, fencing and stock water supply.

Investments Paroa's investments were queried. Mr L McDonnell replied, Paroa had developed a diversified portfolio involving a range of companies.

In developing the portfolio key considerations were:

1. A return;
2. Capital growth potential; and
3. Financial certainty (ie. Blue Chip companies).

The trustee's were then asked whether any consideration had been given to invest directly in commercial property.

The chairman replied it had been discussed by the trustees', however, priority was to develop the farm to increase revenues to be able to invest in properties.

Land Value Mr D Winiata queried the value of land in the vineyard. He suggested the land may be more valuable to Paroa for it's pastoral operations.

The chairman replied Paroa received an annual payment of \$400/ha.

Mr Winiata then noted the vineyard was predominantly Muller Thurgau. The trustees' had reported plans to re-plant in premium varieties. He suggested that as these new varieties began to fruit, the market could change again, meaning a further change in varieties was needed.

Mr L McDonnell responded that for some considerable time, market signals had clearly been towards premium varieties. He noted that much of the planting had been done by Nobilo's prior to the signing of the lease agreement.

Information obtained from the Wine Association clearly supported the move toward premium varieties.

At the expiry of the lease, Paroa would have a much more valuable vineyard as a result of the re-planting programme.

Mrs O Eden asked whether Paroa would guarantee to purchase bobby calves from rearers.

The farm consultant responded that should Paroa confirm the preferred source for stock replacement was through calf rearing then Paroa would be looking to enter into appropriate contractual agreements.

He indicated that any contract would specify the type of calves required and pricing.

Angela Kaisa queried the Lease renewal option.

The chairman replied the initial term of the lease would expire in nine years. Paroa would then have the option to buy-out Nobilo's interest according to an agreed formula. He added that at

Paroa's option the lease could be renewed for a further four years. At the expiry of this further term the vineyard would revert to Paroa's ownership.

Viticultural Training Angela Kaisa queried what arrangements had been made for training beneficiaries in the management of the vineyard.

The chairman responded that no formal agreement had been made with Nobilo's. He did note Nobilo had already identified potential candidates for training in viticultural management.

Mr H Huata said he was pleased the trustees' had become involved in the general area of investments. He suggested the Trust might like to consider investing in a tourism venture he had identified, involving the viaduct.

He detailed his experience with tourists who stopped and photographed the structure. He was of a view that this offered a significant opportunity for tourism in the Mohaka district.

It was resolved the Annual Reports, chairman, auditor, consultant and financial be adopted.

Moved: W Hodges
Second: W King - carried

GENERAL BUSINESS

Donations Angela Kaisa asked if the Trust would consider making a donation to the Raupunga School. She explained the school was fund raising and any assistance would be appreciated.

The fund raising was intended to buy more books for the school.

The chairman asked for the request to be made in writing, and advised it would be considered by the trustees'.

Mr C Culshaw queried the reasons for Paroa's manager to be farming a block up the Putere Road on his own account.

The chairman responded that this had been agreed to by the trustee's and was part of the managers employment. He added that further negotiations with the manager had resulted in agreement being reached that the manager would cease his private farming activities and that the lease had been terminated.

Stock Water Mr C Culshaw asked what plans had been made for stock water.

The chairman explained several options had been considered, and the preferred option involved the existing Raupunga water supply.

Roles of Management Mr C Culshaw asked why Paroa had a farm manager, farm consultant and a chairman.

Mr W Hodges responded that there were different roles filled by each of the positions involved. He noted the farm consultant provided technical farm advice, which was carried out by the farm manager. As well, the farm consultant undertook the administration for Paroa, effectively eliminating the need for an accountant.

In this regard he considered the arrangement to be particularly cost effective and in favour of Paroa.

Mr L McDonnell added that he considered both the farm consultant and manager to be absolutely critical to Paroa's operation.

Shareholders Day The trustees' indicated another shareholders day was planned. After some discussion with the shareholders, it was agreed the date would be Saturday, 5th December 1998.

Reminder notices would be sent out prior to that date.

Age Grant The trustees' had agreed to pay Age Grants of \$100 to those beneficiaries 60 years or older, present at the Annual General Meeting.

This was discussed and it was noted that those aged beneficiaries who could not travel were disadvantaged. This had been accepted by the trustees'. They also noted that some system had to be developed to enable the payment of Age Grants to be manageable.

Donations No specific Donations would be paid, although the trustees' would consider all cases individually upon application.

ELECTION

Two vacancies existed.

The first was a vacancy resulting from the resignation during year of ***Mr C K King***. As well, ***Mr G Pomana*** retired by rotation, and being eligible was automatically renominated.

Nominations

Nominations were called for.

Mr G Pomana nominated by W Hodges, seconded by E Hohipuha.

A K Kaisa nominated by B Gemmell, seconded by H Huata.

L Joe - declined.

H Taumaturua - declined.

T Wainohu - declined.

T Heta - declined.

P Edwards - declined.

Angela Kaisa queried what qualifications potential trustees needed.

The chairman answered that in his view, the key requirements were a commitment to make Paroa a better asset for the beneficiaries, commonsense and sufficient time to be able to discharge their duties.

He explained that most meetings were held at Paroa, while every second or third meeting was held in Hastings and occasionally meetings were held in Wairoa.

All trustees actively contributed to the management of Paroa.

Mr C Culshaw queried the frequency in which the farm was inspected. The chairman responded the trustees' would look over the farm at every second meeting. Also, trustees' individually visited Paroa on an informal basis.

Mr W Hodges said legal qualification for a trustee was they must have the ability to contract in law. He explained trustees could be held liable and could be sued by beneficiaries. Therefore, the duties of a trustee were quite onerous.

It was resolved that nominations be closed.

Moved: M Farmer

Second: W Hodges - carried

The chairman announced that *Mr G Pomana* had been reappointed for a further term, and *Angela Kaisa* had been appointed subject to confirmation by the Maori Land Court.

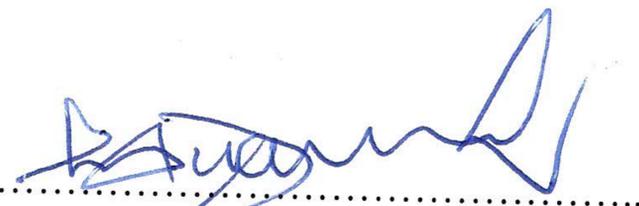
Both Mrs A Kaisa and Mr G Pomana addressed the meeting and expressed their gratitude for the support shown, and both promised to work in the interests of Paroa.

Mr Charlie King noted he was happy to leave the Paroa Trust Board, and he considered that Paroa was now a very well managed farm.

Several beneficiaries expressed their thanks for those involved in the management and presentations made at various times.

There being no further business the meeting closed at 12.50 pm.

Read and confirmed


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L J McDonnell (Chairman)