



Panui No. 16

MANGATU SHAREHOLDERS UPDATE

Ko Maungahaumi te maunga

Ko Mangatu te awa

Ka tere ki te wai o Paoa

Ka Kopututea te putanga ki te Moananui a Kiwa

Tihei mauriora

Nga Rangatira, Nga Kaitiaki o nga whenua o Mangatu. Tena koutou katoa.

INTRODUCTION

The last report to Mangatu shareholders was Panui 15 in April 2017 and during that time the Mangatu business has continued to prosper.

This Panui is to update Mangatu shareholders on the following matters:

- The 16 February 2018 Hui a Tau,
- The June visit by the Mangatu Committee of Management to our Canadian business,
- The Forest land claim hearing involving Mangatu and Mahaki, for which the first round has just been completed in Gisborne,
- A report on Colleagues Day.

2018 HUI A TAU

Mangatu's annual Hui a tau was held at the Mangatu Blocks offices on Friday 16 February 2018. The Hui was well attended by 136 owners who asked many questions throughout the proceedings. It was pleasing to see so many owners who had travelled from outside the district to attend this year. This Panui provides an overview of some of the information that was presented at the Hui.

Committee of Management Elections

Kingi Smiler, Dickie Farrar and Alan Haronga offered themselves for re-election for a further three-year term. Kingi Smiler and Alan Haronga were re-elected and Diana Anderson was elected replacing Dickie Farrar. Dickie was thanked for her significant contribution during six years on the Mangatu Committee of Management.

Mangatu Group Financial Performance

The financial performance over the last financial year was detailed as follows:

<i>\$ millions as at 30 September</i>	2017 Year	2016 Year
Net Profit before Tax	\$13.9	\$18.6
Net Assets	\$193.6	\$183.0
Operating Cash Flow	\$4.3	\$4.4
Distributions to Owners	\$1.5	\$1.4



Key Points of Note

- The Mangatu Blocks Group continues to remain profitable
- The growth in the Mangatu Group asset base continues the vision to build and grow the ancestral lands and associated business and assets for the benefit of current and future owners of Mangatu.
- Operating cash flow continues its strong trend.
- Distributions to owners remain sustainable and continue at healthy levels.

Operations

The NZ based business is focused on food and forestry, including carbon credits. Both sectors contributed significantly over the past year with combined sales revenue close to \$80 million and revaluation gains of \$5 million.

The Napier based NZ lamb processing operation, Fresh Meats NZ, processed just over 258,000 head, the highest number of lambs since the business was acquired.

The Canadian farming operation is increasing in size rapidly with just over 27,500 head of breeding ewes and ewe lambs on hand at 30 September 2017, just slightly below the business plan target. The plan to develop the Canadian business into a fully integrated lamb value chain has been fast tracked by the impending merger with an Alberta based business who has lamb finishing and processing assets.

The NZ and Canada business expansion will require significant amounts of capital to fully develop and debt levels within the Group are expected to increase but remain at very manageable levels.

Conclusion

The Mangatu legacy is strong and stable and very well positioned to continue to build and grow for the foreseeable future.

Feedback from those who attended was positive and many said they were excited at the progress Mangatu is making in building and growing the legacy.

The Committee of Management encourages more Mangatu owners to take the time to attend future Hui as it's a good opportunity to hear first-hand of our progress and to meet and mingle with other owners.

MANGATU BLOCKS 2019 AGM PLAN

The Committee of Management has approved a revised format for the upcoming 2019 AGM combining both the AGM and adding a Farm Tour to be held on a Saturday, 16 February 2019.

The AGM will start at 9 am and be completed by 12 noon for lunch. After lunch there will be a shareholder tour to one of the farms to show several aspects of what is happening on Mangatu land.

It is hoped the change in day and format will make it convenient and attractive for more Mangatu owners to attend AGMs. Please mark the important occasion in your diary and more information will be provided closer to the AGM.



MANGATU COMMITTEE OF MANAGEMENT VISIT TO CANADA

In the last week of June the Mangatu Committee of Management, which includes the Integrated Foods Board of Directors, visited the operations of the lamb business in Canada, the North American Lamb Company (NALC). The NALC Canadian operation is a strategic initiative for enhancing the future growth of Integrated Foods (IFL), a company majority owned by Mangatu Blocks.

The strategy adopted by IFL is to own and control a fully integrated value chain in North America, a high value growth market severely underserved in the lamb category. The future growth of the NALC domestic Canadian business will add considerable value to IFL and the future IFL lamb business in New Zealand.

After travelling from NZ, the visit commenced with viewing the main breeding and lamb growing operations in Manitoba to observe the daily production of lambs year-round in controlled conditions. The Canada Sheep and Lamb Farms (CSLF) breeding operation was put together in 2013 and IFL now currently controls some 84% of the shares. All the CSLF shares will be acquired by the NALC Group within the next few years.

The Committee then ventured 1,200 km west to the province of Alberta to view the lamb finishing and processing operations that the Canadian partners in the impending NALC merger bring to the new partnership. These Alberta assets are complementary to the existing Manitoba sheep breeding and growing facilities and complete the formation of a unique, integrated lamb value chain to service markets year-round in Canada and potentially the United States. There are major expansion plans to become self-sufficient in lamb supply requiring significant investment and the merger assists in funding this.

The terms of the merger agreement are such that, within five years, IFL will have control as the majority owner of the merged NALC.

The immediate value to IFL and Mangatu in the merger of these assets and operations is in acquisition of finishing, processing and sales assets without the cost, time and difficulty in building such from scratch. The merger also brings an existing market and distribution channel which can be used in future to enhance the IFL New Zealand lamb operation.

IFL has imported the Rideau Arcott sheep genetics from the Canada breeding units to New Zealand to eventually develop a farming system capable of exporting Canadian specification lamb products from New Zealand to North American markets to sustainably access better prices and margins.

While at the processing plant the Committee had the opportunity to taste some of the Canada lamb which was very juicy, tasty and nice. The Committee also visited the Head Smashed In Buffalo Jump, where the indigenous Blackfoot people hunted bison in what is now Southern Alberta. This was very interesting and informative.

Overall the Mangatu Committee of Management are very happy with the progress that has been made with the Canada business.

**North American Lamb Company
Canada Operations**



**Mangatu Committee of Management & Friends
Lundar Breeding Unit, Manitoba**



**Ewe & Lamb Barn
Lundar Breeding Unit, Manitoba**



**Lamb Nursery
Sarto Breeding Unit, Manitoba**



**Lamb Growing Facility
Stony Mountain Grower Unit, Manitoba**



**Lamb Finishing Facility
Iron Springs, Alberta**



**Lambs Feeding on Maize Silage & Barley
Lamb Finishing Facility, Iron Springs, Alberta**

MAHAKI & MANGATU FOREST CLAIM

Since the last Panui the three Claimants involved, Mahaki, Mangatu, Nga Ariki Kaiputahi as well as Te Whanau a Kai, Ngati Matepu Rangiwhakataetaea and the Crown presented evidence at the recent Waitangi Tribunal hearings held in Gisborne over the last week of August.

The purposes were to encourage the Tribunal to make a resumption decision to Mahaki as well as encourage the Tribunal to maximise the compensation Mahaki is entitled to for the prejudice it suffered at the hands of the Crown.

The compensation numbers are large and would be better than what has been achieved by Mahaki to date. Mangatu has an agreement with Mahaki that if successful, Mangatu would receive return of the 1961 land that is resumed and a share of any compensation.

Further hearings in this matter are planned for November 12 to 16 and November 27 and 28 in Gisborne. These hearings will be to hear the remaining claimant and Crown evidence. Final legal submissions are planned for December 19 to 21 in Wellington.

At the conclusion of the hearings and submissions the Waitangi Tribunal should be in a position to make a decision sometime in 2019. The Mangatu Committee of Management are hopeful of a positive decision from the Tribunal.

Photos from the Gisborne Hearings



COLLEAGUES DAY 2018

On 3 August staff from Integrated Foods Limited, Mangatu Blocks and some members from the Committee of Management engaged in a Colleagues Day held at Waiohika Station. The purpose of the day was to promote team connectedness and provide staff with a day of enjoyment in appreciation of all they do for the companies.

Participants were put into six teams tasked with team activities. With each activity teams were given bike parts and the result was six brand new bikes being built. Six children from the Gisborne Foster Care Services were the grateful recipients of these bikes. This activity created a sense of humbleness amongst staff as they realised the day went beyond work as for some of these children this would be the very first item they owned.

There were also activities that focused on Health and Safety. These provided an opportunity for staff to discuss any issues in an open forum and problem solve these issues together.

Overall, the feedback from the day was extremely positive, with hopes that the next Colleague Day be just as rewarding.



Te Whakamutunga

Ahakoia i roto nga piki me nga heke kei te pai te haere o nga mahi a Mangatu. He maha nga ngaru o te moana kei mua ia tatou, no reira, kia kaha tatou ki te hapai, ki te hoe i tenei o nga waka a te iwi kia u ai tatou ki uta, ara, kia whai oranga mo te iwi whai paanga ki tenei o nga whenua, a Mangatu.

Tenei te mihi atu ki era o nga whanaunga kua mene atu ki te po. Ko ratou te hunga kua huri atu ki tua o Te Arai, moe mai, moe mai.

He mihi ano tenei ki nga kaimahi me etahi atu ropu e awhi ana, e tautoko ana i nga mahi a Mangatu, e whai ake ana i nga kaupapa whakahaere kia noho pumau a Mangatu.

He mihi kau tenei kia koutou, te urupa o ratou e iri nei i runga i nga pakiwaitara o tenei to tatou whare tipuna. Kia tau iho nga manaakitanga o Te Runga Rawa ki runga kia koutou me a koutou whanau.

Na tenei ta koutou mokai



Alan Haronga
Chairman
Mangatu Blocks Committee of Management