

TE URANGA B2 INCORPORATION

Chairman's Report 2010-2011

E nga rau rangatira ma, tena tatou katoa.

2010-2011 provided opportunities for us to learn from previous experience, and we responded well to weather changes through pasture and stock management programmes, and enjoyed good prices for stock, wool and milk. Overall we are pleased with the end of year result of \$563,424 and we are confident about our workplan and projections for the year ahead.

Our success is the result of the contribution of many people who together make a great team. Along with the Committee of Management, I'd like to thank our Farm Manager and staff, our sharemilkers and our professional advisors for their hard work over the last year. My thanks also goes to the Committee of Management for their commitment and efforts. Nga mihi hoki ki a koutou katoa!

Farming Overview

It has been a challenging and rewarding year for the farming sector, ending on a high note with strong pasture growth in the autumn, something we have not had for the past four seasons, although the late spring and summer were particularly trying. October, November and early December 2010 was marked by record low rainfall, so summer got off to a less than ideal start. We have had to accept that the King Country is no longer always "*summer safe*" as rainfall events are now heavier and increasingly spread over the year, not ideal for pumice soils. These weather events combined required us to adapt and refocus our farming operations and systems.

Upoko B2s performance was a mixed result. The September 2010 snow storms caused significant lamb losses resulting in 15 per cent less lambs to sell for the season. Notably, while the South Island received much publicity over its lamb losses, the Central North Island experienced higher losses. This was countered by significantly improved product prices for the year. The lamb and wool sectors are currently experiencing particularly buoyant times which have renewed profitability to this sector. Further development work on Upoko began mid-year, with 70ha undergoing intensive fencing, water and fertiliser to enable more stock to be finished on farm.

The dairy farms, Koromiko and Paatara, have experienced record milk production for the second year running, sending 303,501 kilograms of milksolids (3.6 million litres) out the gate. The Fonterra payout for the 2011 year was also new record with a final payout of \$7.90 per kilogram of milksolids. In July 2011, we changed our milk supply to Miraka instead of Fonterra. The transition has gone smoothly with no major issues which is pleasing for a startup company. This move released \$1.4 million of capital from the sale of Fonterra shares, which has paid some debt and strengthened the Incorporations balance sheet. The farms are now on track for another strong production year.

Other key events for the farming year:

- Completion of a 1.3 million litre storage pond for effluent on Paatara – this will enable a more sustainable management of effluent.
- Continuing with the integration between the dairy farms and Upoko.
- New manager for Upoko – welcome to Jack Valois

Our focus for 2012 is to develop our farming systems to cope with weather extremes and improve the quantity of our products. Record prices are being achieved across dairy, lambs and wool, so there is no better time to be involved in the primary production sector. The strong prices look positive for the short to medium term which gives us further confidence in planning for the future.

Shareholder Benefits

We have elected to continue to provide Kaumatua grants of \$250 per shareholder aged 65years or older and funding to the Ngakonui Valley School for education and transport services. The new Te Putea Hauora fund has been well received with two applications to date.

WAI 1994 – Treaty of Waitangi Settlement Claims

The Crown is now saying it will have all Treaty Claims completed by 2016, and we don't hold hope that there will be a great deal of progress in the coming 12months.

Strategy 2112 – 100year Planning

Like our tupuna before us, we now have strategic plan that ensures our lands and assets will grow over the next 100years. In the meantime, we are committed to providing you with better on-farm returns and improved shareholder benefits. We will continue to provide strong leadership and responsible governance so our farms and our assets grow and prosper. We wish you a safe and happy Festive Season, and a successful New Year!

Heoi ano ra,

TE URANGA B2 INCORPORATION

Andrew Matene Martin

Chairman