

TEARAWA

GROUP HOLDINGS

NEWSLETTER

Number 1 | October 2012



Lake Rotorua

Te Arawa Group Holdings Limited is pleased to present this inaugural Newsletter, and to welcome our Class B Shareholders who became owners in the company through a share transfer in December 2011.

Going forward, we will release bi-annual newsletters in the months of March and September.

OUR FOUNDATIONS

It is appropriate that we pause and reflect upon the journey of Te Pumautanga o Te Arawa Trust ("TPT").

Through the leadership and vision of the inaugural TPT board, our shareholders are the fortunate benefactors of a comprehensive treaty settlement. That leadership had the foresight to bring together part of the confederation of tribes who are able to trace their descent from ancestors that arrived here on board Te Arawa waka. Furthermore, we acknowledge their courage in the face of adversity, to deliver a comprehensive settlement.

It was their vision to establish a commercial company tasked to receive and manage the commercial proceeds of the settlement for the purpose of creating intergenerational wealth and opportunity for our shareholders.

Consistent with the company's adopted whakatauki "*Te tau ihu o te waka wawahi ana i te ara o te moana - the prow of our great waka breaking the waters of a new future*", the TPT trustees resolved to equally devolve the equity shareholding in the company to the Affiliate Iwi/hapu. This is a unique shareholding structure within the context of post settlement governance entities.

It is a shareholding structure that is aimed at delivering direct and tangible benefits from the settlement to the Affiliates.

To date, no other post settlement governance entity throughout the country has considered adopting a devolved equity ownership model where future dividends are paid directly to the Affiliate entities.

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Introducing the Te Arawa Group Holdings Ltd team (from left to right), Roger Pikia, Colleen Neville, Antoinette Wade, Christina Diamond and Kiriwaitangi Rei.

Te tau ihu o te waka e wawabi ana I te ara o te moana

The prow of our great canoe breaking the waters of a new future.

Pohutu Geyser

YEAR IN REVIEW

From the end of November 2011 to October 2012, the Company has enjoyed an extremely busy year ensuring our house is in order. We have set down solid foundations through clear strategic investment directions supported by adopting best practice commercial policies, processes and plans. With the evolution of the company from its establishment years, we recognized that a refresh of the 2020 Strategic Plan was required to reflect where the company was heading in the future. This has culminated in changes to the company Vision and Mission Statements, that better articulate our investment priorities and strategy. This has been approved by the Class A Shareholder and will be presented at the Annual General Meeting.

The adoption of these internal commercial disciplines sets the parameters by which we operate. They provide guidance for all commercial transactions undertaken by the company and prescribe the employment of a robust and methodical approach to investment.

The principles by which the company has been directed to observe by the TPT board through the Company Constitution, Shareholders Agreement and Statement of Corporate Intent are as follows;

- Intergenerational focus
- Prudent Investor
- Ethical considerations

The company has achieved two major milestones that directly benefit our Affiliate Shareholders. The first was the signing of the Shareholders Agreement at Waiteti Marae on 19 November 2011. The second was the execution of the Deeds of Assignment over the Schools, Rotoehu Forest and CNI shares and dividends on 15 June 2012.

The signing of the Shareholders Agreement was fundamentally important as it established a formal relationship between the Affiliate Entities (now Class B Shareholders) and the company. Prior to the signing, the company's sole shareholder was Te Pumautanga o Te Arawa ("TPT"). The devolvement of shares from TPT to the Affiliate Entities conferred on them a right to receive a dividend and a right to receive written notice of certain Class B reserve matters.

The execution of the Deeds of Assignment in June 2012 enabled the transfer of certain rights and income streams derived from TPT's commercial settlement assets to the company. The net effect is that the company has secured future cash flows for the next 32 years. In turn these cashflows will be utilised to build intergenerational wealth.



Waiotapu

BUILDING A PROSPEROUS FUTURE

As articulated in our 2020 Strategic Plan, the Board has identified five (5) long term priority investment sectors.

These sectors drive economic development in the wider Rotorua area and have a natural affinity to our people due to Te Arawa's traditional and historical connection to these industries and natural resource bases. These sectors are Geothermal, Forestry, Agribusiness, Property and Tourism.

The company has undertaken considerable work to find suitable investment proposals that meet our high investment criteria. This has not been easy as credible propositions have been few and far between.

Given the New Zealand economy is fiscally constrained we have proceeded with extreme caution.

With this in mind, we are pleased to advise that we have undertaken major due diligence on two strategic and highly successful businesses in the wider Rotorua area. We are very excited by these two investment propositions and we plan to provide the Shareholders with greater detail on this opportunity at the Annual General Meeting.

As part of our key performance measures, we have a strong focus on five key areas of activity: Business Excellence & Best Practice; Co Investment Partnerships; Prudent Growth; Key Providers and Communications.

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| <p>BUSINESS EXCELLENCE & BEST PRACTICE</p> <p>A key principle is our commitment to constantly improving systems and processes.</p> <p>We have set in place a number of strategic documents which provide a robust and solid framework.</p> | <p>Internal Policies</p> <ul style="list-style-type: none"> • 10 year Strategic Plan • Annual Business Plan • Risk Management Plan • Statement of Investment Policies & Objectives • Company Constitution • Shareholders Agreement • Company Policy Manual • Investment Process & Procedure Manual | <p>Outcome</p> <p>To provide our Shareholders and potential Investors with confidence that the company is a careful and prudent custodian</p> |
| <p>CO-INVESTMENT PARTNERSHIPS</p> <p>The company is interested in partnering with commercial entities that share similar values and investment objectives, with a proven track record of success and complementary capability.</p> <p>In particular, the company is interested in partners that are in a market position to consider co-investment in medium scale opportunities.</p> | <p>Existing Partnerships</p> <ul style="list-style-type: none"> • Ngati Tahu-Ngati Whaoa Runanga Trust – Affiliate Entity with interests in Geothermal • Mighty River Power - Geothermal • Kaingaroa Timberlands – Forestry • Hancock Forest Management – Forestry • Ministry of Education – School Land | <p>Outcome</p> <p>Two major investments by the end of the Financial Year (31 March 2013).</p> |
| <p>PRUDENT GROWTH</p> <p>The company aims to grow its balance sheet through investment in five priority sectors. This will be achieved by employing commercial best practice, focussed on optimised returns with an intergenerational investment focus.</p> | <p>Identified Investment</p> <ul style="list-style-type: none"> • Tourism attraction • Geothermal exploratory project & research • Agribusiness – kiwifruit/farms/ag food technology • Forestry – CNI replant | <p>Outcome</p> <p>Achieving steady income streams that provide the Shareholders with a sustainable and consistent dividend.</p> |
| <p>KEY PROVIDERS</p> <p>Part of the company's business strategy has been to engage leading specialists to deliver the best service and products to the company.</p> <p>These partnerships are an invaluable component of the company's operations.</p> | <p>Key Areas</p> <ul style="list-style-type: none"> • Geothermal • Agribusiness • Tourism • Forestry • Property • Strategic • Due Diligence | <p>Outcome</p> <p>To enhance existing partnerships that deliver tangible results for the company.</p> <p>Robust and prudent advice from reputable providers</p> |
| <p>COMMUNICATION</p> <p>We understand that a key component of fostering confidence in TAGH is about effective information to our Shareholders and Stakeholders.</p> <p>Our strategic direction has been set by our Board of Directors and approved by the Class A Shareholder, and we intend to keep our Shareholders and Stakeholders informed of the company's progress on a regular basis.</p> | <p>Implementation</p> <p>We will utilise a range of mediums and fora to communicate with:</p> <ul style="list-style-type: none"> • Website • Quarterly Reports and presentation to TPT • Newsletters (bi-annually) • AGM • Annual Report • Attend and present at Te Arawa Tangata breakfasts • One Service Provider Workshop for Affiliates • Shareholders Dinner | <p>Outcome</p> <p>Our Shareholders are informed of what we do, and see us as protecting, managing and growing their assets for the current and future generations.</p> |



Horohoro Forest

UPCOMING EVENTS

Annual General Meeting

The TAGH Board, with the approval of the Class A Shareholder, confirm that the Annual General Meeting ("AGM") will take place on Wednesday 7 November 2012, from 10.00am to 12pm.

The Affiliate Trustees will receive a formal invitation to attend the AGM. The AGM will be for shareholders only.

All invitations will be accompanied by an agenda and proposed resolutions, a protocols document, and a seating plan. These documents are designed to provide all of the shareholders with an understanding of how the AGM will be conducted and what items will be addressed.

This will be circulated in the coming weeks.

TAGH WEBSITE

The TAGH website will be updated on a quarterly basis. We invite you all to visit our website at www.tagh.co.nz

SHAREHOLDERS COMMUNICATIONS FORA

- NOVEMBER**
 - Annual General Meeting
 - Presentation at Te Arawa Tangata Breakfast

- JANUARY**
 - TAGH Quarterly Report to TPT

- FEBRUARY**
 - Co-investors Event

- MARCH**
 - TAGH Newsletter

- APRIL**
 - TAGH Quarterly Report to TPT

- MAY**
 - Presentation at Te Arawa Tangata Breakfast

- JUNE**
 - Shareholders Dinner
 - Co-investors Event

- JULY**
 - TAGH Quarterly Report to TPT

- AUGUST**
 - Service Provider Workshop for Affiliates

- SEPTEMBER**
 - TAGH Newsletter

- OCTOBER**
 - TAGH Quarterly Report to TPT

TE ARAWA WAKA | TE ARAWA IWI | TE ARAWA WANANGA



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