

# Kahungunu Asset Holding Company Ltd Chairman's Report



**Kahungunu, He tangata ahuwhenua, mōhio ki te whakahaere I ngā mahi o uta me ō tai.**

## **Tihei Kahungunu!**

It is my pleasure to provide a report of the Kahungunu Asset Holding Company Limited (KAHC) results for the year ended 30 June 2015.

## **Background**

KAHC was established in 2005 by Ngāti Kahungunu Iwi Incorporated (NKII) to receive and manage the Treaty of Waitangi fisheries settlement on behalf of Ngāti Kahungunu.

The KAHC has the vision of building a “successful business and economic profile for Ngāti Kahungunu and a mission of “growing our assets and to maximise the economic and wider returns from them for the collective good of Ngāti Kahungunu.” **To achieve the vision and mission of KAHC we have established four key result areas:**

- Strong Governance and Organisational Robustness
- Fisheries sector
- Diversified asset portfolio
- Quality relationships.

## **Nature of Business**

The business of the KAHC is to receive and manage the fisheries settlement assets and other commercial assets of NKII for maximum commercial benefit. Each year the KAHC agrees its Statement of Intent with the NKII Board, setting the strategic direction and expected returns for the coming year. I am confident that we are making good progress on our stated key result areas within our Statement of Intent. We are reviewing our existing policies and are investigating at least two new investment opportunities which will add to the diversification of our asset portfolio.

Although there are no changes to the makeup of our Directors we have included a photo and profile of our Directors so our Ngāti Kahungunu members can be made aware of the Directors and the important responsibility they have in achieving the vision of the KAHC. All of our Directors namely, Mike Paku (Deputy Chair of the KAHC), Taine Randell, Hayden Hape, Trevor Moeke, and Paora Ammunson have a strong Kahungunu whakapapa. Our Directors bring a wide range of skills and experience to the Company and I believe the synergy present at our decision making table, holds our company in a steady position.

## **Fisheries Assets**

There are no changes to the key assets owned by KAHC, namely; fishing quota, shares in Aotearoa Fisheries Limited (AFL), shares in Napier Mussels Limited, shares in Fiordland Lobster Company Limited, Tautane Station and cash. The KAHC received the following settlement assets to manage on behalf of Ngāti Kahungunu in accordance with the Maori Fisheries Act 2004:

- August 2006: 162,942,485 quota shares valued at \$9,436,871
- August 2006: 7874 income shares in Aotearoa Fisheries Ltd, valued at \$19,874,733
- July 2010: 501,527,278 quota shares valued at \$16,933,500

<sup>1</sup> The shares in AFL and quota received under the Fisheries Settlement process have been included in the accounts at the value established by Te Ohu Kaimoana on transfer.

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- September 2012: Aquaculture pre-commencement space settlement cash \$1,499,845
- Cash of \$2,030,106

We have received a total of 7,874 shares in Aotearoa Fisheries Ltd (AFL) as part of the fisheries settlement which is a 6.3% holding in AFL. Last financial year we reduced the value of our share holdings in AFL by \$5,701,535. We weren't required to revalue our shareholdings again this year although we may be required to undertake future re-valuations of our shareholdings.

## Non Fisheries Assets

The KAHC will continue to diversify its asset portfolio in non-fisheries assets. We receive regular presentations from business people inviting the KAHC to invest in their business plans. It is important to note the Company takes a conservative approach to investment to deliberately reduce our exposure to risk. While we are open to non-fisheries investment opportunities it has to match with our current investment strategy. With the support of our shareholder, we are investigating an opportunity to invest in a significant commercial property and plan to make an announcement about this during the 2015-2016 financial year.

Our investment in Tautane Station in 2013 continues to pay major dividends to the KAHC. We were saddened by the news of the passing of Donovan Wearing the former Chief Executive of Taratahi. During the year the KAHC moved into a positive balance between our Tautane mortgage and cash funds held in the bank. We are on target to repay our mortgage on the Tautane Station. The Company plans to make an annual contribution to development at the station at a cost of \$50,000 per annum.

## Financial Performance

The KAHC has recorded a before tax profit of \$4,906,408.

### Gross Profit 2008-2015

30-Jun-08	\$2,458,049
30-Jun-09	\$2,028,815
30-Jun-10	\$2,733,836
30-Jun-11	\$3,409,582
30-Jun-12	\$3,872,548
30-Jun-13	\$5,372,656
30-Jun-14	(\$2,463,070)
<b>30-Jun-15</b>	<b>\$4,906,408</b>

### Retained Earnings 2008-2015

30-Jun-08	\$1,402,100
30-Jun-09	\$2,030,915
30-Jun-10	\$3,364,748
30-Jun-11	\$4,983,779
30-Jun-12	\$7,216,327
30-Jun-13	\$10,948,984
30-Jun-14	\$6,845,914
<b>30-Jun-15</b>	<b>\$9,712,322</b>

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## Equity 2008-2015

30-Jun-08	\$33,742,051
30-Jun-09	\$34,370,866
30-Jun-10	\$52,222,903
30-Jun-11	\$53,992,484
30-Jun-12	\$57,724,877
30-Jun-13	\$61,457,534
30-Jun-14	\$57,124,464
<b>30-Jun-15</b>	<b>\$61,567,929</b>

During the year the KAHC paid an increased dividend to NKII of \$2,040,000 plus a payment of \$40,000 to the Taiwhenua Assistance Fund. Even with the increased dividend to NKII the KAHC has achieved a reported increase in equity of \$4,443,465 for the year ended 30 June 2015.

## Financial performance by asset class

### Shares in Aotearoa Fisheries Ltd

The company received a cash dividend from AFL of \$670,594 during the year.

The net book value (NBV) of the KAHC shareholding in AFL as disclosed in its Annual Report<sup>2</sup> as at 30 September 2014 was \$26,000,982 which is an improvement on their value as at the same time on 30 September 2013 of \$25,482,555.

### Aotearoa Fisheries Shares NBV

30-Jun-08	19,359,459
30-Jun-09	20,043,676
30-Jun-10	22,547,575
30-Jun-11	24,342,565
30-Jun-12	24,969,398
30-Jun-13	25,456,767
30-Jun-14	19,777,784
<b>30-Jun-15</b>	<b>\$26,000,982</b>

### Shares in Fiordland Lobster Company Ltd

The KAHC owns 131,590 shares in Fiordland Lobster Company Limited (FLC). This represents a 5.71% holding in FLC. These shares have been included in the KAHC accounts at cost. The net book value of the KAHC shareholding in FLC as disclosed in its annual report at 31 March 2015 was \$7,595,503 (31/3/14: \$5,934,847).

<sup>2</sup> For information on AFL visit their website <http://afl.maori.nz/>

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## Fiordland Lobster Dividend

30-Jun-08	\$45,000
30-Jun-09	\$91,431
30-Jun-10	\$120,590
30-Jun-11	\$144,749
30-Jun-12	\$159,224
30-Jun-13	\$159,224
30-June-14	\$263,180
<b>30-Jun-15</b>	<b>\$197,385</b>

## Fiordland Lobster NBV shares

30-Jun-08	1,136,064
30-Jun-09	1,788,061
30-Jun-10	2,658,504
30-Jun-11	3,733,886
30-Jun-12	4,297,351
30-Jun-13	5,087,409
30-Jun-14	5,934,847
<b>30-Jun-15</b>	<b>7,595,503</b>

## Quota - ACE sales

KAHC earnings from the lease of Annual Catch Entitlement (ACE).

## ACE Sales

30-Jun-08	2,755,961
30-Jun-09	2,551,163
30-Jun-10	3,163,240
30-Jun-11	3,153,147
30-Jun-12	3,300,792
30-Jun-13	3,276,042
30-Jun-14	3,309,567
<b>30-Jun-15</b>	<b>4,113,130</b>

## Shares in Napier Mussels Ltd

The KAHC holds ownership of 91% of Napier Mussels Ltd. This amount has been written off due to impairment in value. Shareholder funding of \$13,650 was made during the year (2014:Nil) The share advances are recorded at nil value as they do not currently have a realisable value.

## Shares in Area 2 Finfish Management Company Limited

The KAHC holds 1 share in Area 2 Finfish Management Company Limited (Area2). This represents a 2.56% holding in that company. These shares have been included at cost. The net book value of the Company's share in Area2 as disclosed in its Annual report at 30 September 2014 was \$573 (31/3/2013: \$570).

## Shares in Trident Systems General Partner Limited

The KAHC owns 3,705 shares in Trident Systems General Partner Limited (Trident). This represents a 1.18% holding in that company. These shares have been included at cost. The net book value of the

# *Kahungunu Asset Holding Company Ltd*

## *Chairman's Report*

KAHC share as disclosed in its annual report at 30 September 2014 was nil (30/09/2013: \$10).

### **Shares in Salco Quota Co Limited Partnership**

The KAHC acquired 100,000 units with Salco Quota Co Limited partnership during 2014. The units were purchased for \$100,000. These units have been included at cost.

### **Shares in KAHC Investments Limited**

The KAHC owns 100 shares in KAHC Investments Limited. This company has not traded during the year.

### **Constitutional reporting**

During the year to 30 June 2015 there have been no:

- Transactions with settlement quota that have resulted in a registered interest by way of caveat or mortgage being placed over the quota;
- Interest registered against the settlement quota shares;
- Sales or exchanges or acquisitions of AFL income shares.

### **Going Forward**

KAHC is enthusiastic of the close working relationship with the NKII Board. Throughout the year I provide regular updates to the NKII Board about the activities of the KAHC and I welcome the advice and feedback provided by our shareholder.

Finally, I believe our result for the year is pleasing, and I offer the attached consolidated statement of the KAHC financial performance for your consideration.

Tihei Kahungunu!



**Rangī Manual**  
**Chairman**