

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 the report of the Kahungunu Asset Holding Company Limited (the Company) for the year ended 30 June 2017.

Background

The Company 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 Company vision is to “Empower Ngāti Kahungunu Iwi Incorporated through sustainable economic and commercial success” and a mission to “grow and maximise the assets of Ngāti Kahungunu Iwi Incorporated so the full potential and aspirations of our iwi will be met.” To achieve the vision and mission of the Company, the following objectives have been set:

- **Kia Mataara:** To ensure the assets of the Company are invested prudently and within the Company’s purpose and rules.
- **Whakapakaritanga:** To improve the value of the Company’s capital base.
- **Whakamana:** Generate sufficient income to support the needs and aspirations of Ngāti Kahungunu Iwi Incorporated.

Nature of Business

The business of the Company is to receive and manage the fisheries settlement assets and other commercial assets of NKII for maximum commercial benefit. Each year the Company agrees its Statement of Intent with the NKII Board to set the strategic direction for the coming year. In February 2017 the Company was proud to underwrite the Kahungunu Festival which included the hosting of the national kapa haka festival, Te Matatini.

In February 2017 NKII endorsed the appointment of Executive Directorship roles for the Company. Rangi Manuel was appointed as the Executive Chair of the Company, Trevor Moeke was appointed as the Executive Chair of the Fisheries Committee Te Hao Ika, and Hayden Hape was appointed as the Executive Director Tautane. At the same time Jonathan Dick was appointed as the General Manager of the Company. In July of this year Paora Ammunson resigned as a Director of the Company.

Fisheries Assets

During the year the Company and HBS Tuna Limited established Pania Reef Fisheries Limited Partnership. This partnership enabled the purchase of a 34 metre deep water trawler called the Glomfjord. The Glomfjord arrived in Nelson from Denmark in March 2017 where it underwent refurbishment. It began fishing in July 2017. This asset is a welcome addition to our other key assets of fishing quota, the lobster processing facility in Auckland, shares in Aotearoa Fisheries Limited (AFL), Napier Mussels Limited, Fiordland Lobster Company Limited, and cash. The Company received the following settlement assets to manage on behalf of Ngāti Kahungunu in accordance with the Māori Fisheries Act 2004:

- August 2006: 162,942,485 quota shares valued at \$9,436,87¹

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

We have received a total of 15,748 shares (7,874 Voting, 7,874 Non-voting) in Aotearoa Fisheries Ltd (AFL) as part of the fisheries settlement which is a 6.3% holding in AFL. There will be no impairment of our shareholdings in AFL for this current year, although we may be required to undertake future re-valuations of our AFL shareholdings in the future.

With the support of our shareholder, we will continue to add value to our current fisheries assets. We have designed a programme to investigate opportunities for further investment in the fisheries industry.

Non Fisheries Assets

The Company will also continue to seek opportunities to diversify our asset portfolio in non-fisheries assets. The Company takes a conservative approach to investment to deliberately reduce our exposure to undue risk. We are open to non-fisheries investment opportunities but it has to match our current investment strategy and risk profile.

The investment in Tautane Station in 2013 has been an important strategic acquisition for the Company. While the Company's overall mortgage has increased following the purchase of the rock lobster facility in Auckland, we remain on target to repay our mortgage on the Tautane Station by 2018.

Financial Performance

The Company has recorded a before tax profit of \$3,800,206.

Gross Profit 2009-2017

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)
30-Jun-15	\$4,906,408
30-Jun-16	\$4,269,724
30-Jun-17	\$3,800,206

Retained Earnings 2009-2017

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
30-Jun-15	\$9,712,322
30-Jun-16	\$12,342,046
30-Jun-17	\$11,528,362

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Equity 2009-2017

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
30-Jun-15	\$61,567,929
30-Jun-16	\$69,540,526
30-Jun-17	\$68,726,842

During the year the Company paid a dividend to NKII of \$4,613,890 (2016: \$1,680,000) which includes the payment of \$40,000 to the Taiwhenua Assistance Fund. The Company has reported a decrease in equity of \$813,684 for the year ended 30 June 2017.

Financial performance by asset class

Shares in Aotearoa Fisheries Ltd

The Company received a cash dividend from AFL of \$628,931 during the year (2016: \$487,530).

The net book value (NBV) of the Company shareholding in AFL as disclosed in its Annual Report on 30 September 2016 was \$26,553,710.

Aotearoa Fisheries Shares NBV

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
30-Jun-15	\$26,000,982
30-Jun-16	\$25,736,263
30-Jun-17	\$26,553,710

Shares in Fiordland Lobster Company Ltd

The Company purchased an additional 5080 shares in 2017 and now owns 136,670 shares in Fiordland Lobster Company Limited (FLC). This represents a 5.87% holding in FLC. These shares have been included in the Company accounts at cost. The net book value of the Company shareholding in FLC as disclosed in its annual report at 31 March 2017 was \$10,403,222 (31/3/16: \$9,785,972).

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Fiordland Lobster Dividend

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
30-Jun-15	\$197,385
30-Jun-16	\$263,180
30-Jun-17	\$283,500

Fiordland Lobster NBV shares

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
30-Jun-15	7,595,503
30-Jun-16	9,785,972
30-Jun-17	10,403,222

Quota - ACE sales

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

ACE Sales

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
30-Jun-15	4,113,130
30-Jun-16	3,568,914
30-Jun-17	2,983,198

Shares in Napier Mussels Ltd

The Company holds ownership of 91% of Napier Mussels Ltd. This amount has been written off due to impairment in value. Shareholder funding of \$9,100 was made during the year (2016: \$13,650). 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 Company 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 share in Area2 as disclosed in its annual report at 30 September 2016 was \$574 (31/3/2015: \$573).

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Shares in Trident Systems General Partner Limited

The Company 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 Company's share as disclosed in its annual report at 30 September 2016 was nil (30/09/2015: Nil).

Shares in Salco Quota Co Limited Partnership

The Company acquired 100,000 units with Salco Quota Co Limited partnership in 2014 for the purchase price of \$100,000. An additional 135,135 units were purchased during 2016 for \$250,000. All units have been included at cost.

Pania Reef Fisheries (GP) Limited

Pania Reef Fisheries (GP) Limited is the general partner of Pania Reef Fisheries Limited Partnership, of which the Company is a 50% shareholder. HBS Tuna Limited is the other 50% shareholder and joint equal partner in Pania Reef Fisheries Limited Partnership. Pania Reef Fisheries (GP) Limited is not currently trading. The Company made a capital contribution of \$750,000 to Pania Reef Fisheries Limited Partnership during the year. The partnership made a loss of \$140,577 based on the 30 June 2017 audited financial statements.

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 2017 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

In May 2017 the Company was honoured to receive the Outstanding Māori Business Leadership Award from the University of Auckland. I want to acknowledge the contributions of my Director's and General Manager in the receipt of this award. I believe the award reflects the benefits of the close working relationship the Company enjoys with the NKII Board.

Going forward the Company continues to grow but this is not without its challenges. I believe our result for the year is pleasing and I offer the attached consolidated statement of the Company financial performance for your consideration.

Tihei Kahungunu!



Rangi Manuel
Chairman