

Kahungunu Asset Holding Company Ltd Chairman's Report



Kahungunu, He tangata ahuwhenua, mōhio ki te whakahaere i ngā māhi o uta me ō tai.

Tīhei Kahungunu!

It is my pleasure to provide the report of the Kahungunu Asset Holding Company Limited (the Company) for the year ended 30 June 2019.

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 has 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 manage the fisheries settlement assets and other commercial assets of Ngāti Kahungunu Iwi Incorporated (NKII) for maximum commercial benefit. The Company has agreed a three year Statement of Intent with the NKII Board which has set the strategic direction for the Company for 2017 to 2020. The Company farewelled Pania Tyson Nathan in May and Taine Randell in June of this year. The Company acknowledges the strong contributions that both of these Directors have made to meeting the Company objectives.

Fisheries Assets

On 8 April Takitimu Seafoods (GP) Limited was launched in a ceremony officiated by His Majesty Kingi Tūheitia. The Company purchased the business formerly known as Hawke’s Bay Seafoods and the launch of Takitimu Seafoods fulfilled the long held Iwi aspiration of further investment in the fishing industry. It was a proud day for all the members of Ngāti Kahungunu Iwi.

The Company share of the loss from the Pania Reef Fisheries Limited Partnership is 1,138,915. While the Glomfjord performed strongly during the 2019 Hoki season, it is yet to prove itself as a year round capable vessel. The Company is working closely with the Pania Reef Fisheries partnership to strengthen the annual quota catch plan for the vessel with a view to improving the partnerships year round profitability. The loss incurred by the partnership was expected as the Iwi pushes forward on strengthening its position within the fishing industry.

The purchase of the new fishing company is a welcome addition to our other key assets of fishing quota, the fishing vessel Glomfjord, 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 Maori 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. The Company is looking to strengthen its position with its current fisheries assets through a programme of consolidation and ongoing investment into Takitimu Seafoods.

Non Fisheries Assets

The Company will continue to investigate opportunities to diversify its asset portfolio. 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 Company provided funds for the Iwi to establish Kahutia Limited Partnership and funding for the purchase of land associated with the Kenderdine forest.

Financial Performance

The Company has recorded a before tax profit of \$3,710,209.

Gross Profit 2011-2019

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
30-Jun-18	\$3,201,179
30-Jun-19	\$3,710,209

Retained Earnings 2010-2018

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	\$16,601,235
30-Jun-18	\$17,307,944
30-Jun-19	\$18,663,153

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Equity 2010-2018

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
30-Jun-18	\$69,433,551
30-Jun-19	\$70,788,760

During the year the Company paid a dividend to NKII of \$2,355,000 (2018: \$2,494,470). The Company has reported an increase in equity of \$1,355,209 for the year ended 30 June 2019.

FINANCIAL PERFORMANCE BY ASSET CLASS

Shares in Aotearoa Fisheries Ltd

The Company received a cash dividend from AFL of \$653,861 during the year (2018: \$737,488).

The net book value (NBV) of the Company shareholding in AFL as disclosed in its Annual Report on 30 September 2018 was \$27,495,693.

Aotearoa Fisheries Shares NBV

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
30-Jun-18	\$27,495,693
30-Jun-19	\$27,495,693

Shares in Fiordland Lobster Company Ltd

The Company 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 2019 was \$14,008,156 (31/3/18: \$11,489,674).

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Fiordland Lobster Dividend

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
30-Jun-18	\$341,675
30-Jun-19	\$341,675

Fiordland Lobster NBV shares

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
30-Jun-18	\$11,489,674
30-Jun-19	\$14,008,156

Quota - ACE sales

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

ACE Sales

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
30-Jun-18	\$3,467,373
30-Jun-19	\$3,821,435

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 was made during the year of \$18,200 (2018: 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 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 (31/3/2017: \$574). This company was removed from the company register 08/12/17.

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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.

Pania Reef Fisheries Limited Partnership

The Company made a capital contribution of \$750,000 to Pania Reef Fisheries Limited Partnership during the 2017 financial year. Control has been assessed as joint therefore the accounts have not been consolidated. The loss of \$1,138,915 based on the 30 June 2019 (2018: \$1,181,950) audited financial statements has been recognised.

Takitimu Seafoods (GP) Limited

Takitimu Seafoods (GP) Limited is the general partner of Takitimu Seafoods Limited Partnership of which the Company is a 100% shareholder. These have been recognised at cost.

Shares in KAHC Investments Limited

The Company owns 100 shares in KAHC Investments Limited. KAHC investments Limited has not traded during the year (2018:Nil).

Constitutional reporting

During the year to 30 June 2019 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

The investment in Takitimu Seafoods has placed the lwi in a strong position to process and export fish product to the world. This investment will require strong leadership to enable it to reach its full potential. With the ongoing investment required to establish Takitimu Seafoods I believe the result for the year is pleasing. I offer the attached consolidated statement of the Company financial performance for your consideration.



Ranghi Manuel
Chairman