

# Kahungunu Asset Holding Company Ltd Chairman's Report



**Kahungunu, He tangata ahuwhenua, mōhio ki te whakahaere i ngā māhi 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 2018.

## **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 receive and manage the fisheries settlement assets and other commercial assets of 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.

## **Fisheries Assets**

In 2016 the Company entered into a partnership to purchase the Glomfjord. The Glomfjord commenced fishing in July 2017 as a fresh fish trawler. This initial period proved the capabilities of the vessel to catch its key target species. In March 2018 the Glomfjord received its first Maritime New Zealand safety survey and work began in April 2018 to refit the vessel into a factory trawler with on board employment of 14 people. The Glomfjord completed its maiden voyage as a factory trawler in August 2018. The catching, processing and exporting of Ngāti Kahungunu quota is a long held iwi aspiration. Implementing this aspiration has come at a cost, with a \$1,181,950 loss incurred by the Company due to the factory conversion and being unable to fish during four months of the financial year. This investment has been impaired due to its current operational financial position. The Company will monitor this and when the partnership makes a profit, the Company can consider reversing the impairment.

The Company’s other key assets are; 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 Maori Fisheries Act 2004:

- August 2006: 162,942,485 quota shares valued at \$9,436,87<sup>1</sup>

<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.

# Kahungunu Asset Holding Company Ltd Chairman's Report

- 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 will continue to add value to the current fisheries assets with a programme in place for further investment in the fishing industry.

## Non Fisheries Assets

The Company will continue to investigate opportunities to diversify our 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 investment in Tautāne Station in 2013 and the purchase of the rock lobster facility in Auckland in 2016 are important strategic acquisitions for the Company.

## Financial Performance

The Company has recorded a before tax profit of \$3,201,179.

### Gross Profit 2010-2018

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
<b>30-Jun-18</b>	<b>\$3,201,179</b>

### Retained Earnings 2010-2018

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
<b>30-Jun-17</b>	<b>\$16,601,235</b>
<b>30-Jun-18</b>	<b>\$17,307,944</b>

# Kahungunu Asset Holding Company Ltd

## Chairman's Report

### Equity 2010-2018

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
<b>30-Jun-18</b>	<b>\$69,433,551</b>

During the year the Company paid a dividend to NKII of \$2,494,470 (2017: \$4,613,890). The Company has reported an increase in equity of \$706,709 for the year ended 30 June 2018.

### Financial performance by asset class

#### Shares in Aotearoa Fisheries Ltd

The Company received a cash dividend from AFL of \$737,488 during the year (2017: \$628,931).

The net book value (NBV) of the Company shareholding in AFL as disclosed in its Annual Report on 30 September 2017 was \$27,495,693.

#### Aotearoa Fisheries Shares NBV

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
<b>30-Jun-18</b>	<b>\$27,495,693</b>

#### 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 2018 was \$11,489,674 (31/3/17: \$10,403,222).

# Kahungunu Asset Holding Company Ltd Chairman's Report

## Fiordland Lobster Dividend

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
<b>30-Jun-18</b>	<b>\$341,675</b>

## Fiordland Lobster NBV shares

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
<b>30-Jun-18</b>	<b>11,489,674</b>

## Quota - ACE sales

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

## ACE Sales

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
<b>30-Jun-18</b>	<b>3,467,373</b>

## 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. No shareholder funding was made during the year (2017: \$9,100). 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).

# Kahungunu Asset Holding Company Ltd Chairman's Report

## **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 \$1,118,950 based on the 30 June 2018 (2017: \$140,577) audited financial statements has been recognised.

## **Shares in KAHC Investments Limited**

The Company owns 100 shares in KAHC Investments Limited. KAHC investments Limited has not traded during the year (2017:Nil).

## **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**

The Company continues to grow and this brings a number of challenges to respond to. Investigations are underway to increase our investment in the fishing industry and subject to satisfactory due diligence and the support of the NKII Board, the Company will be in a stronger position to catch, process and export fish product to the world. Despite the impairment associated with the Pania Reef Fisheries Limited partnership, I believe the result for the year is pleasing, and I offer the attached consolidated statement of the Company financial performance for your consideration.

Tihei Kahungunu!



**Rangī Manuel**  
Chairman