

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 2016.

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, and,
- 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 to set the strategic direction for the coming year. During the year we took a major step forward in our stated key result areas, with the purchase of a rock lobster processing facility in East Tamaki, Auckland. This factory was opened in April and we were honoured to have King Tuheitia and the Deputy Prime Minister in attendance. We have entered into a long term lease arrangement with the Fiordland Lobster Company. They will use this factory as their key North Island facility for the live export of fish to the Asian markets.

In July of this year Mike Paku accepted the Chairman position for the Finance, Risk and Audit Committee of NKII and has subsequently stood down as a Director of the KAHC. NKII have recently completed the interview process for the appointment of a replacement Director(s) on the KAHC. We welcome Heather Te Au-Skipworth, Pania Tyson-Nathan and the future contributions they will make to the business of the KAHC. NKII has re-appointed Rangī Manuel (Chairman), Taine Randell, Hayden Hape, Trevor Moeke, and Paora Ammunson as Directors on the KAHC. Trevor Moeke has also been appointed as our new Deputy Chair.

Fisheries Assets

The key addition to our fisheries assets is the purchase of the rock lobster processing factory. This asset is a welcome addition to our other key assets of fishing quota, shares in Aotearoa Fisheries Limited (AFL), shares Napier Mussels Limited, the Fiordland Lobster Company Limited, and cash. The KAHC received the following settlement assets to manage on behalf of Ngāti Kahungunu in accordance with the Māori Fisheries Act 2004:

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- August 2006: 162,942,485 quota shares valued at \$9,436,871
- August 2006: 7874 income shares in Aotearoa Fisheries Ltd, valued at \$19,874,735
- 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 7,874 shares 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 shareholdings in the future. During 2013 the company received a bonus issue of 7847 shares taking the company's holding in AFL to 15,748 shares. Of these 7,874 are voting and 7,874 are non voting shares.

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

Non Fisheries Assets

The KAHC 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.

Our investment in Tautane Station in 2013 has been an important strategic acquisition for KAHC. While KAHC's overall mortgage has increased following the purchase of the new rock lobster facility in Auckland, we remain on target to repay our mortgage on the Tautane Station within the next two years.

Financial Performance

KAHC has recorded a before tax profit of \$4,269,724.

Gross Profit 2008-2016

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)
30-Jun-15	\$4,906,408
30-Jun-16	\$4,269,724

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Retained Earnings 2008-2016

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
30-Jun-15	\$9,712,322
30-Jun-16	\$12,342,046

Equity 2008-2016

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
30-Jun-15	\$61,567,929
30-Jun-16	\$69,540,526

During the year KAHC paid a dividend to NKII of \$1,640,000 which includes the payment of \$40,000 to the Taiwhenua Assistance Fund. KAHC has achieved a reported increase in equity of \$7,972,597, for the year ended 30 June 2016.

Financial performance by asset class

Shares in Aotearoa Fisheries Ltd

The company received a cash dividend from AFL of \$487,530, during the year.

The net book value (NBV) of the KAHC shareholding in AFL as disclosed in its Annual Report on 30 September 2015 was \$25,736,263.

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

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Shares in Fiordland Lobster Company Ltd

KAHC owns 131,590 shares in Fiordland Lobster Company Limited (FLC). This represents a 6.06% 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 2016 was \$9,785,972 (31/3/15: \$7,595,503).

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

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
30-Jun-15	7,595,503
30-Jun-16	9,785,972

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
30-Jun-15	4,113,130
30-Jun-16	3,568,914

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Shares in Napier Mussels Ltd

Shares in Area 2 Finfish Management Company Limited

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 KAHC share in Area2 as disclosed in its annual report at 30 September 2015 was \$573

Shares in Trident Systems General Partner Limited

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 KAHC share as disclosed in its annual report at 30 September 2015 was Nil (30/09/2014: Nil).

Shares in Salco Quota Co Limited Partnership

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

Shares in KAHC Investments Limited

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

Constitutional reporting

During the year to 30 June 2016 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 proud of the close working relationship it enjoys with the NKII Board. We also place a great value in our strong business relationships we have in place with our existing partners. I provide regular updates to the NKII Board throughout the year about the activities of the KAHC and we are working with our shareholder on evolving our current format for the Statement of Intent.

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!



Ranghi Manuel
Chairman