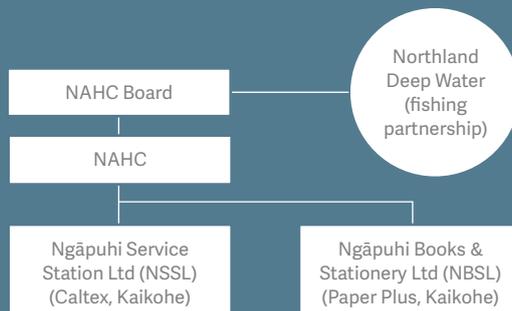




CHAIR'S REPORT

Tā te Heamana o Ngāpuhi Asset Holding Company Ltd



**NGĀPUHI ASSET HOLDING COMPANY LTD
BOARD OF DIRECTORS**

Leigh Auton	Chair
Wane Wharerau	Director
John Rae	Independent Director
Jason Witehira	Independent Director
Raniera T Tau	Director
Lorraine Toki	Alternate Director

This year has seen a collaborative focus, with the challenges being faced during the 11-year fisheries structure review, and the opportunities being evaluated amongst iwi Asset Holding Companies.

Kia ora tātou.
On behalf of the Board of Directors, of Ngāpuhi Asset Holding Company Limited (NAHC) and its commercial subsidiaries, I am pleased to report that our results for the year ended 30 June 2016, have again exceeded any recent comparative period.

With our operational returns being at their highest level, and divisional records being achieved, we are creating a financial foundation that can support the aspirations of the Rūnanga and Ngāpuhi prior to settlement. As a direct result we have been able to increase our contribution to the Rūnanga for the year.

Financial highlights for the year include sales achieved on our inshore annual catch entitlement (ACE), and a 13.7% ROI after just three quarters from our Ihu-to-Mai partnership with Sealords and eight other iwi. As the 'economic horse' we must continue to achieve these favourable yearly performances to ensure that NAHC continues to meet the needs of the organisation, and can maintain and grow the asset base for future generations.

This year has seen a collaborative focus, with the challenges being faced during the 11-year fisheries structure review, and the opportunities being evaluated amongst iwi Asset Holding Companies (AHC). NAHC is regularly working in unison with Rūnanga staff and Trustees within these engagements to leverage our skills and knowledge base to achieve the best result for Ngāpuhi, and more often for all Māori. It is becoming increasingly common for our engagement team at events to be a combination of the expertise from within the wider Ngāpuhi Rūnanga group.



Leigh Auton

Chair
NAHC BOARD OF DIRECTORS

There would be no clearer example of this than the successful resolutions tabled by Ngāpuhi, and carried by the majority, at the Te Ohu Kaimoana (TOKM) Hui-ā-Tau in March. The recent success and reform that Ngāpuhi has been able to contribute within fisheries, is being replicated in our assessment of pan-iwi investment opportunities, and at the inaugural iwi AHC forum held at Waitangi in February.

DIRECTORSHIPS

NGĀ KAITOHUTOHU

It was noted in last years report that we were undertaking an independent executive search to find a new NAHC Director, and that we were encouraged by the calibre of the candidates. Therefore, it was my privilege to have been able to introduce Jason Witehira, as the successful candidate at the 2015 AGM, at Hiruharama Hou Marae, Te Tii.

Jason is a proud Ngāpuhi businessman and entrepreneur, who was recently acknowledged as Māori businessman of the year. Jason's commercial expertise and retail knowledge has become an integral component in our decisions making. His willingness to immerse himself in the cultural and commercial prosperity of Ngāpuhi has seen him undertake a leading governance role within our fisheries portfolio.

With the addition of Jason, the Board returns to five appointed Directors. Of the Board members three are deemed as independents being John Rae, Jason Witehira, and myself; and the Rūnanga has serving representatives of Raniera (Sonny) Tau, and Wane Wharerau. As a Board we have also received the valued services of Lorraine Toki, as a nominated alternate Director for the Rūnanga representatives.

As a statutory asset holding company (AHC) we are always conscious of our legislative governance independence requirements and our responsibility to the Rūnanga. However, we welcome the services of all those who can contribute to assisting us in achieving our objective. Therefore, we should also acknowledge that we have engaged Mike Simm, a well-respected local and national businessman to provide a Northland centric view to our commercial aspirations. Mike holds a number of regional and national positions and has contracted to NAHC as an advisor to the Board and management team. We are encouraged to have been able to secure Mike's services, and I am confident that Ngāpuhi will benefit from this strategic alliance.

During the year the Board engaged the wide group in confirming the strategic position of NAHC. A number of strategy sessions were facilitated, by independent experts, that focused on how as a governance team we can allocate the collective resources to achieve the best overall outcomes. Financially we know that we are continuing to generate the best returns within the asset mix and allocation that we have. However, going forward we will be exploring whether a reallocation of those assets, or new investments, could deliver additional returns.

The NAHC Board are increasingly becoming involved in wider engagements within the Group, and through this we are experiencing a greater exposure and connectivity of the work that we undertake within NAHC, and the role that plays within the wider community. I am encouraged that the high calibre and expertise of this Board is being acknowledged and utilised in this manner.

FISHERIES

NGĀ HUANGA O TE MAHI HI IKA

The significant projects that started in 2014/15 including the 11-year iwi fisheries structure review, and the transition of foreign charter vessels into New Zealand domicile, were primarily completed during the current year.

The Rūnanga in conjunction with NAHC were intricately involved within the reassessment of the funding model and re-purpose of TOKM following the independent reviewers report - 'Tāia Kia Matariki'. Additionally Ngāpuhi, supported by a majority of other mandated iwi organisations (MIOs) was instrumental in commissioning an independent review of the proposed funding models of TOKM, to ensure that all Māori interests in fisheries are being appropriately represented and resourced.

Although the impact of the Foreign Charter Vessel (FCV) legislation has not yet fully played out, we successfully assisted our partner vessel through the reflagging compliance programme prior to the transition date. As a result our Northland Deepwater partnership continues to provide synergies across our fisheries asset base, and we are confident that we are deriving above market returns through this long-standing trusted partnership.

Having not reached settlement with the Crown, fisheries is the predominant industry within which NAHC operates. Fisheries related assets account for approximately 80% of NAHC total assets by



Caltex Ngāpuhi, Kaikohe

value, and provides a similar percentage of our income stream. Therefore, the commercial future of Ngāpuhi is currently linked to the performance of our fisheries investment and the continued abundance of the resource. Although Ngāpuhi does not currently hold governance positions within the major Māori fisheries entities, we are providing leadership and resources within the elected working parties, and we are positioning ourselves to re-establish direct representation within these Boards.

We can be proud that Ngāpuhi is the only iwi that currently catches its deepwater ACE, and that we are the largest shareholder within Aotearoa Fisheries Limited (AFL). NAHC has a 12.63% interest in the shareholding of AFL, and this is set to increase to 15.79% when the AFL income and voting shares held in trust by TOKM are released. The dividend that NAHC received from AFL is a considerable component of our annual income and although the current year dividend of \$1m was less than the prior year (2015: \$1.3m) our other businesses and investments mitigated any shortfall.

Although, the New Zealand commercial fisheries sector is under intensive public and regulatory scrutiny, we continue to believe there is a pathway for Ngāpuhi to be a responsible kaitiaki of this resource, and to generate responsible returns for the iwi.

During the year we evaluated a significant inshore fisheries investment, with a number of other local iwi, which would have directly involved all participants in the full value chain - from catching the fish through to international and domestic sales. Although this first approach was unsuccessful, we consider inshore fisheries a valuable platform for NAHC's involvement in the near future.

NSSL trading as Caltex Ngāpuhi equalled last year's record contribution, and significantly increased its market share and shop turnover during what was a difficult trading period.

INVESTMENTS

NGĀ HUANGA O TE MAHI HAUMI

Resulting from the yearly fisheries proceeds, and after distributions to the Rūnanga, NAHC has accumulated a respectable investment portfolio, established retail operations in Kaikohe, and obtained interests in various commercial properties valued in excess of \$12m.

The commercial properties continue to be leased on long-term stable agreements with key commercial tenants. NAHC's own retail operations occupy the sites at Kowhai Court in Kaikohe along with Café Malaahi, and our three units within the John Butler Centre, Kerikeri, are fully leased to Top Energy. We also have a property in Marino Court, Kaikohe, that is leased to Ngāpuhi Iwi Social Services. These properties remained fully leased during the period, and are a valuable diversification of our investment mix.

NAHC has \$6.5m of funds under management invested with the BNZ in term investments, and a bond portfolio. Upon advice, the Board has determined that the current passive investment portfolio will not adequately meet the needs of the iwi long term, particularly in times of low interest rates. Therefore, after considerable deliberation, and with the agreement of the Rūnanga, the financial investments will be gradually transitioned across to a more active diversified investment fund that will target capital and income growth that exceeds current returns, CPI movements, and the population growth of Ngāpuhi.

This transition was foreshadowed in last year's annual report and we are appreciative of the contribution that John Rae (Independent Director) has undertaken to realign this investment strategy, with our long-term goals.

ADMINISTRATION

NGĀ MAHI WHAKAHAERE

We are continually assessing the administration needs and costs of NAHC, and although there was a one-off considerable cost in converting the statutory accounts to comply with the Public Benefit Entity Public Sector Accounting Standards (PBE) Teir-2, the administrative costs within NAHC have decreased, for a third consecutive year.

NAHC has a management and administrative team that is lead by Paul Knight (CEO). Through his increased involvement within national fisheries, and in evaluating collaborative investment opportunities on behalf of iwi, NAHC is providing a more influential and strategic contribution at a national level. Paul works closely with the NAHC Board, and Rūnanga, to provide a commercial perspective within a variety of engagements. Within his tenure at NAHC, our performance and returns have consistently improved, and the Board continues to have the utmost confidence in his abilities.

The ongoing investments within the capabilities of the team has enabled NAHC to enter into a successful six month accountant secondment/exchange with regional accountants Sumpter Baughen; and to enable the participation at a Te Hono summit at Stanford with NZ's primary industry leaders and government officials.

As a Board we are pleased with the performance and contributions of the management team. Their integrity, openness and willingness to engage have directly contributed to the positive results that we are achieving.

BUSINESS UNITS

NGĀ TŌPŪ MAHI

Visually our most prominent investments are our retail operations, Ngāpuhi Service Station Ltd (NSSL) and Ngāpuhi Books and Stationery Ltd (NBSL), within Kowhai Court at the entrance into Kaikohe.

NSSL trading as Caltex Ngāpuhi equalled last year's record contribution, and significantly increased its market share and shop turnover during what was a difficult trading period. During the year NSSL experienced a decline in national fuel prices, had a low cost fuel competitor enter the local market, and our site was subjected to the acquisition of Chevron NZ by Z-Energy.

Had NSSL been able to retain a comparative fuel margin to last year, NSSL would have again exceeded all previous results, by a considerable amount. This is the sign of a healthy business and the management and staff should all be very proud of their ongoing achievements.



The friendly staff at Caltex Ngāpuhi

NBSL operates as a PaperPlus franchise, as part of a national wide chain of retail bookstores. Although globally bookstores are being significantly impacted by technology, the Board and management team are committed to ensure that NBSL contributes to the group. In isolation NBSL has recorded a \$24k net deficit. However, when accounting for the rent, management changes and site contributions paid through to NAHC, NSSL breaks-even on a consolidated basis. NBSL continues to trend in the right direction with a 40% improvement from last year, which is the second consecutive year of considerable improvement.

It is prudent to reiterate that Kowhai Court is a strategic investment for Ngāpuhi in Kaikohe that employs over 20 retail staff, and 4 support staff. Our retail operations alone contribute over \$450k+ in wages into the local economy. The precinct provides a valuable contribution to our financial results, and creates many employment and business opportunities for the community. Again, I encourage you to support these businesses as the profits are always reinvested for the advancement of Ngāpuhi.

DISTRIBUTIONS

HE WHAKARATOTANGA PŪTEA

The increased performance of the NAHC group has provided the Board with the confidence to pay an increased dividend of \$2.23m (2015: \$1.95m) to the Rūnanga. In conjunction with the Rūnanga we will continue to balance the amount distributed for their operations, and the amount retained for future investment.

Irrespective of whether the amounts are retained or distributed they are all administered for the stated charitable purposes for the advancement of Ngāpuhi. This is a kaupapa that we proud to be involved with.

▼
Paul Knight
CEO
NAHC

▼
Lorraine Toki
Alternate Director
NAHC

▼
John Rae
Independent Director
NAHC





Jason Witehira
Independent Director
NAHC



Wane Wharerau
Director
NAHC



As a Board we are pleased with the performance and contributions of the management team. Their integrity, openness and willingness to engage have directly contributed to the positive results that we are achieving.



Paper Plus, Kaikohe

OUTLOOK

HE TIROHANGA WHAKAMUA

NAHC continues to have a very favourable outlook.

We are experiencing our best returns, in a flat market with record low interest rates and having received reduced returns from our passive and largest investment (AFL). Therefore, NAHC is benefiting from having continually reinvested within, and having strengthened our own directly managed investments.

We are acutely aware of our connection to fisheries and the challenges facing that industry. However, we have proven that we can make a valuable contribution to the industry, and its decision-making. Having the right mix of competencies at Board and management levels will ensure that Ngāpuhi can continue to accommodate the inevitable changes, and identify the opportunities that come from them.

MANAGEMENT AND STAFF

HE KAIHAUTŪ, HE KAIMAHI

On behalf of the Board of Directors I would like to personally thank all the staff and management within the NAHC Group for another record year and contribution. And, acknowledge all those within the wider Group, and Rūnanga for their cooperation in supporting the positive work that we have undertaken together.

Ngā mihi nui

Leigh Auton

Chair – Board of Directors

Ngāpuhi Asset Holding Company Ltd



GLOSSARY OF TERMS:

NAHC	Ngāpuhi Asset Holding Company Ltd
TOKM	Te Ohu Kaimoana
NBSL	Ngāpuhi Books and Stationery Ltd
NSSL	Ngāpuhi Service Station Ltd
BNZ	Bank of New Zealand
FCV	Foreign Charter Vessel
ACE	Annual Catch Entitlement
AHC	Asset Holding Company
AFL	Aotearoa Fisheries Ltd
Rūnanga	Te Rūnanga-Ā-Iwi O Ngāpuhi