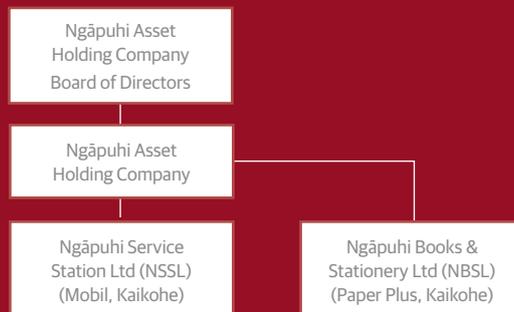




TE PŪRONGO Ā TE HEAMANA Ō NGĀPUHI ASSET HOLDING COMPANY LTD



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

Jason Witehira	Independent Chair
Mike Simm	Independent Director
Wane Wharerau	Director
John Rae	Independent Director
Elena Trout	Independent Director

Jason

Paki Witehira

Independent Chair

Tēnā rā tatou katoa,

Korōria ki te Atua i runga rawa, he maungarongo ki te mata o te whenua, he whakaaro pai ki ngā tāngata katoa. Tēnā tātou katoa.

Tēnā koutou e kuia mā, e kaumātua mā e noho ake nei hei hakaruruhau mō mātou. Ka mihi atu ki te hunga kaumātua e hakarangatira ake ana i tō tātou hui.

Ka nui te aroha ki a koutou.



HE MAHI AHUMONI

PERFORMANCE AND HIGHLIGHTS

On behalf of the NAHC Board of Directors, I am pleased to report on the resilient performance of Ngāpuhi Asset Holding Company Limited ("NAHC") and its wholly owned subsidiary entities ("NAHC Group").

For the financial year ending 30 June 2020 the NAHC Group recorded a net profit of \$3.22m [2019: \$3.57m], with NAHC contributing \$3.18m in the current year in comparison to the prior year of \$3.56m [Jun 2019]. These favourable results have been achieved despite the unprecedented challenges of Covid-19 that impacted the last 3-4 months of the financial year.

In addition, during the 12 months to June 2020 the net assets of the NAHC Group has increased to \$62.5m [2019: \$60.4m] after having provided the Rūnanga a dividend of \$2.23m.

Therefore, although the current financial year has been challenging, for all of us, NAHC has performed admirably and has shown a level of resilience that is evident in a developed and well performing organisation. However, before I delve into the details behind the results I would like to acknowledge my gratitude to all staff, management and governance within the NAHC Group for their professionalism and endurance during this period; and my true appreciation for the staff with Ngāpuhi Books and Stationery Limited (Kaikohe Paper Plus) who responded to the tough decision to close the store with pride and dignity.

I would like to take this opportunity, early in my report, to address the closure of Kaikohe Paper Plus and acknowledge that this was a hard decision to make; and acknowledge that the governance and management of the NAHC Group are tasked with making these judgments, on balance, and in the best interests of all the beneficiaries of Ngāpuhi.

In 2011 Ngāpuhi acquired the struggling Paper Plus franchise and relocated it into Kowhai Court beside the newly developed Ngāpuhi Service Station Limited. The store provided a refreshed retail offering in Kaikohe and has provided employment opportunities to 40+ staff over the years. However, the business struggled to provide a positive financial contribution to the NAHC Group, despite being assessed as one of the better managed Paper Plus franchises.

In the prior financial year, the NAHC Board commissioned an independent report of the Kaikohe Paper Plus business with the findings consistent with a well-managed operation with good cost controls, but operating in a challenging retail environment, and with further financial pressures being forecasted. The potential to close the store was tabled as an option, along with the opportunity to continue to explore co-location agency opportunities within the site.



The key finding of the independent report was that:

"Paper Plus continues to represent the best option moving forward for this site, as many other alternatives will require substantial capital investment up-front, and on-going operational funding. Paper Plus provides good employment and training opportunities locally and is a strong brand and presence within the Kaikohe community."

Therefore, as recent as February 2020 Kaikohe Paper Plus was in developed negotiations with a major national service provider to co-locate within the Paper Plus Kaikohe site. However, with the onset of Covid-19 and the stalling of those negotiations, NAHC reassessed the prospects of continuing Kaikohe Paper Plus operations, and sought to relocate and/or address the impacted employees. Paper Plus Kaikohe was eventually closed in June 2020.



Covid-19 had two other primary impacts on the NAHC Group financial performances as reported:

1. The proposed funding for the Te Pū o Te Wheke (TPOTW) development in Kaikohe, that Ngāpuhi was championing with the Far North District Council, was reallocated from community and tourism projects to infrastructure and employment. Without the immediate pathway of significant government funding; the TPOTW project was halted by the parties to mitigate further non-recoverable costs; and
2. The managed funds within MINT Asset Management were impacted by the changes in the global financial markets, and with NAHC's balance date being June, the markets had not significantly recovered enough to reverse the unrealised losses experienced during March and April. Therefore, although the MINT funds were tracking favourably to budget for the prior nine months to February 2020, the net position of the investment at June 2020 was a loss of \$294k. However, I am pleased to report that by balance date the MINT holdings are on track to return to their pre-Covid levels by end of October 2020.

Casting aside Covid-19 there was a significant amount of positives, and despite our financial constraints as a pre-settlement Iwi, the NAHC Group has continued its track record of performing financially and responsibly for the enduring benefit of TRAION, and of all Ngāpuhi.

HE RINGA TOHU DIRECTORSHIPS

The NAHC Board of Directors has maintained a consistent quorum of five appointed Directors; four of whom are independent including myself (as Chair), Mike Simm (Deputy Chair), John Rae, and Elena Trout. Wane Wharerau is the Rūnanga Trustee appointed to the NAHC Board.

This Board structure exceeds the minimum requirement of maintaining 60% independence (Māori Fisheries Act 2004), which has been fortuitous during this year of uncertainty and transition. Having a predominance of independent and professional Directors on the NAHC Board, we were able to remain focused during the changes within TRAION and during Covid-19 restrictions. We are also able to draw upon the NAHC Directors' collective expertise in how best to respond and engage during the period of uncertainty. To which I am personally thankful to the NAHC Board, and believe that NAHC has transitioned through this period with an exemplary level of dignity and efficacy.

It is appropriate to acknowledge that in December Mere Mangu (the newly appointed Chair of TRAION) called for a comprehensive Financial and Governance review of the TRAION Group, and that the NAHC Board have been consistent in their support of a review. Although at the time of writing this report the reviews are yet to be finalised, we do not anticipate, and have not been advised of any concerns or issues regard the NAHC Group or its management. NAHC will remain completely compliant with any requests/reviews and we welcome professional scrutiny of NAHC's operations and performance.

It is worth acknowledging that the NAHC 2019 Audit Completion Report including the comment that:

"We take this opportunity to comment on the efficient and well-controlled nature of your team's administration and accounting function. This is a credit to the people involved as well as the disciplines put in place by the Board. As your auditors, we appreciate your openness to external advice and congratulate the company for the great efforts in ensuring the efficient and effective operation of this important part of the company."

HE MAHI HĪ IKA FISHERIES

As we have previously acknowledged as being 'pre-settlement' Ngāpuhi is heavily reliant upon deriving an economic return from within the fisheries sector, through our interests received under the Māori Fisheries Settlement. This over weighting upon a single sector has been perceived as a weakness with NAHC investment portfolio. However, during Covid-19 restrictions, the fisheries industry was able to continue to operate as an essential service. This is in conjunction with the terms of agreements with our fisheries partners ensuring that the income NAHC derived from its annual catch entitlement (ACE) was largely uninterrupted. The returns generated from the supply of ACE for the year ending 30 June 2020 were \$2.265m [2019: \$1.743m]; with the Ngā Tapuwae o Māui deepwater arrangement with Sealord, and 41 other Iwi contributing significantly to the favourable outcome.

As the largest single Iwi shareholder (12.6% shareholding) in Aotearoa Fisheries Limited, trading as Moana NZ, NAHC transacts its inshore ACE parcel with Moana NZ, and I am now into my second year as an Iwi appointed Director on the Moana NZ Board. The performance of Moana NZ and its 50% owned subsidiary Sealord has a significant impact upon the returns that NAHC reported through our shareholding and dividend entitlement. Therefore, it is positive that NAHC now has a stable and profitable supply relationship with both Moana and Sealord, which in turn contributes to their own overall performance.

In December NAHC received the largest cash dividend to date from Moana NZ of \$1.4m [2019: \$1.1m] with an additional \$302k [2019: \$229k] of Maori Authority Tax Credits attached that are fully refundable to NAHC, as a charitable organisation.

Aside from the financials, New Zealand and global fisheries are faced with extensive pressure from fisheries practices, increasing populations, pollution, and regulatory and climatic changes. The weight of these competing demands is not resolvable by an individual organisation, or Iwi, and requires compromise from all parties to ensure that this valuable resource is plentiful for current and future generations.

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Within NAHC we are actively involved in confronting these issues and we will continue to advocate for the protection of all Iwi's interest within these matters.”

“

...we are kaitiaki, and as Iwi always have a longer term (generational) view of the health of the resource.”

NAHC actively participates with other Iwi and interested parties within fisheries management and we have a strong relationship within Te Ohu Kaimoana (TOKM) and other representative bodies.

Recently NAHC has partnered with TOKM to advocate for the deep-water fisheries industry to make further voluntary shelving cuts within the hoki fishery for the upcoming season. Although hoki is Ngāpuhi's primary fishery stock (single largest contributor), NAHC lobbied for additional voluntary shelving and for the industry to reaffirm the spawn preservation measures, whilst we wait for the science to catch-up. Therefore, it is pleasing to see that by unanimous agreement a further 20,000MT of hoki Total Allowable Commercial Catch (TACC) will be voluntarily shelved by the industry, and the spawn management restrictions will stay in place for a further season. Although this shelving has a direct short term financial impact upon NAHC, we are kaitiaki, and as Iwi always have a longer term (generational) view of the health of the resource.

There are two other developing challenges that are confronting the status and rights Iwi have received under the historic Māori Fisheries Settlement. These primarily relate to the border restrictions put in place by the government as a response to Covid-19, and the utilisation of the Resource Management Act (RMA) and regional planning processes to impose restrictions upon fishing practices without consideration of the Fisheries Legislation. As the Fisheries Acts specifically preserves and recognises Māori customary fisheries practices and confers the rights attributed to Iwi under the Māori Fisheries Settlement. Within NAHC we are actively involved in confronting these issues and we will continue to advocate for the protection of all Iwi's interest within these matters.





HE MAHI HAUMI INVESTMENTS

The NAHC Group has a total asset base of \$64.1m (2019: \$62.1m) of which \$20.8m is not directly related to the fisheries industry.

The non-fishing assets are primarily made up of commercial investment properties and land, land and buildings that we own and occupy, Property, Plant and Equipment (PPE), a direct ownership of Ngāpuhi Service Station Limited (NSSL) and financial investments i.e. MINT Asset management and BNZ term deposits. This broadening of Ngāpuhi's commercial asset base has been an ongoing strategic intention to diversify NAHC's reliance upon fisheries returns.

The commercial investment properties owned by NAHC have remained leased on full commercial terms throughout the year with tenants ranging from directly owned and operated retail operations (e.g. Mobil Kaikohe), Ngāpuhi Iwi Social Services (a 100% owned TRAION subsidiary), Café Malaahi and Top Energy.

During the year the NAHC Board approved the listing of the three units that NAHC owns within the John Butler Centre with the intention to better utilise the capital for direct investment with our rohe that supports job creation. Post balance date one of these units has sold, and we are confident that the remaining two units will also sell.

Despite the global impact of Covid-19 upon the global markets and our MINT portfolio (as noted earlier) the funds have returned to their pre-Covid levels of \$12.2m which is invested between the MINT Diversified Income Fund and MINT Australasian Property Fund.

NSSL which is better known as Kaikohe Mobil continues to consistently perform as a profitable investment as part of the NAHC Group, and directly provides significant employment and training opportunities within Kaikohe. During the year NSSL was the recipient of the Mobil Dealer 'sales growth' award, and in the recent past NSSL has been a finalist for MTA best service station award.

Our investment with NSSL has more recently been enhanced by the installation of a comprehensive 38.4kW solar power system that services the service station, Café Malaahi, NAHC offices and the adjacent Kaikohe Paper Plus building. At peak times the solar installation can generate surplus power to our requirements which is then sold into the local grid. Overall, the system will contribute a 25-30% saving to our power consumption, and is a clear example of how NAHC adheres to the economic and environmental values of TRAION's mission statement.

In August 2020, NSSL celebrated 10 years of Ngāpuhi ownership by unveiling an instore redesign that encompassed the cultural and spiritual values of Ngāpuhi, as designed by our own Ngāpuhi taitamariki. This redesign is something that we can all be proud of, and provides the business with a point of differentiation and celebrates what it means to be a Māori-owned (Ngāpuhi-nui-tonu) business.

TE ARA WHAKAMUA

THE FUTURE

In my past report I posed the potential that may arise from the Iwi lead coloration that is Ngā Tapuwāe o Māui, and it is pleasing to see that the number of participants has now grown to 41 Iwi directly collaborating within their deep-water fisheries entity (Sealord). This collaborative alignment will continue to have gains in regard to the opportunity for employment of Māori with the industry, and the potential development of Pātaka Kai model for our communities etc.

In seeking to broaden our investment portfolio, and to generate new employment opportunities (at a time when they are most needed), NAHC has been investigating new business opportunities. These opportunities are connected with local regional development initiatives; and subject to due diligence and sound financials we are optimistic that NAHC will soon be able to deliver the next step change in growth for NAHC, and for the TRAION Group.

HE MIHI

ACKNOWLEDGMENTS

As the Chair of NAHC, a business owner, a proud husband, father and grandfather, and always Ngāpuhi I sincerely thank all the staff, management, Directors, Trustees and yourselves for the resilience and pride that we have all shown during this year of unprecedented challenges. Despite the circumstances the sacred house of Ngāpuhi stands strong - "Kia tū tika ai Te Whare Tapu Ō Ngāpuhi".

Ngā mihi nui ki a koutou i tēnei wā,



Jason Paki Witehira

Independent Chair
Ngāpuhi Asset Holding Company Ltd



