



Te Rūnanga o Ngāti Manawa Group

AGM Financial Report

31 March 2023

Tēnā koutou e te whānau whānui o Ngāti Manawa, it is my pleasure to report on the financial results and position of the Trust for the year ended 31 March 2023. This report provides a summary overview for the year and the independently audited annual financial statements are available from the Trust website or from the office.

The Trust's results are reported on a group basis and the separate operational entities making up the Trust Business are the parent Trust (Te Runanga o Ngāti Manawa), Ngāti Manawa Investment Trust (t/a Manawa Developments), Ngāti Manawa Development Limited, Ngāti Manawa Tokowaru Asset Holding Company Limited, Ngāti Manawa Charitable Trust, Ngāti Manawa Custodian Limited, Manawa Gas Limited, and KLC Limited (KLC).

Our most significant trading asset is KLC which has proven to be a positive investment providing many opportunities for the region. We hold 63.87% of the shares in KLC funded by a loan of \$2m from the PGF and \$1.38m from Manawa Developments cash reserves. The Group acquired an interest in KLC to review operations and create efficiencies within the company using extensive commercial expertise and strong connections within the forestry industry.

Group financial performance (as per the audited financial statements) are as follows:

Net Operating Surplus for the year was \$927,803, compared to \$4,260,527 in 2022, which represents a variance of (\$3,332,724). The change in performance compared to the prior year was driven by a decrease in KLC's Total Comprehensive Income by (\$3.0m).

Investment performance (Managed Funds plus Private Equity investments) for the year resulted in a reduction in value of (\$1,238,527) compared to (\$115,656) in 2022. The unfavourable investment performance was driven by increasing interest rates and high levels of global inflation. We note that our performance was in line with the market. Decreases to our investment portfolio aren't realised and we expect our investment portfolio to rebound in the coming years.

Overall, the Group Net Profit (Net Operating Surplus + Invested funds performance [Managed Funds, and Private Equity]) in 2023 was (\$556,661) compared to the Group Net Profit of \$4,472,502 in 2022, this represents a variance of (\$5,029,160).

Revenue:

Notable revenue streams for the year were:

- CNI Distributions \$1.47m
- Dividends \$476k
- Contract Revenue: \$22.8m (KLC trading revenue \$20.2m and Manawa Gas Revenue \$2.4m)

Expenses:

Notable expenses for the year were:

- Depreciation \$1.18m
- Employee Expenses \$6.74m (\$5m – KLC staff expenses)
- Other Expenses \$2.25m
- Purchases \$12.95m (\$10m – KLC materials, and Manawa Gas Purchases \$2.18m)
- Trustee Fees \$320k

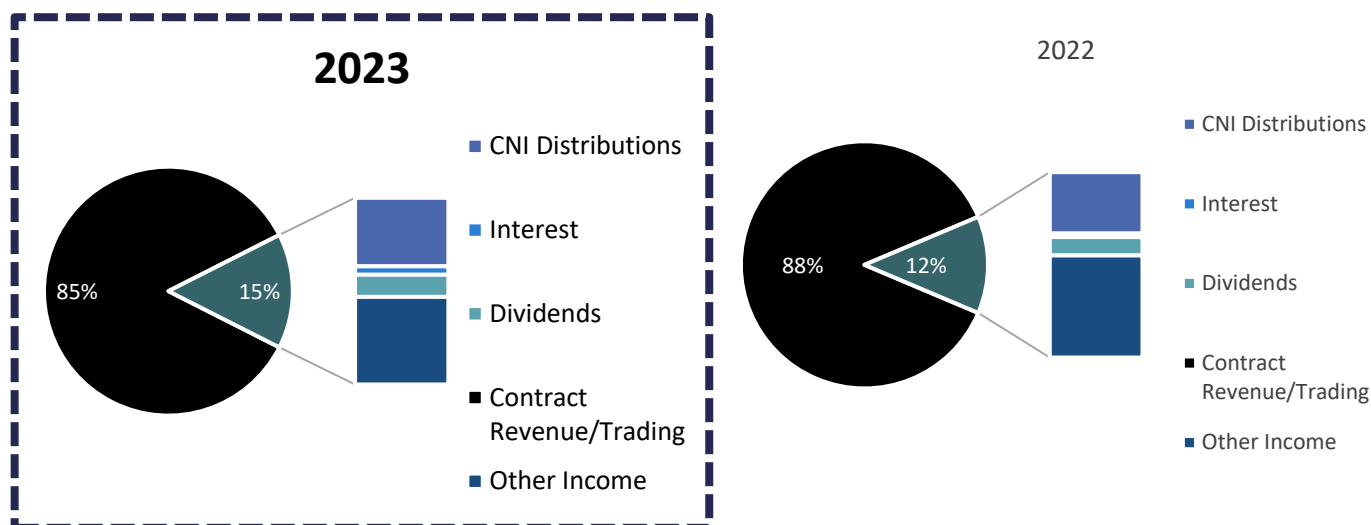
Operational Performance:

The Total Comprehensive Income is as follows:

- MGL (\$16k) - last year (\$248k)
- KLC \$579k – last year \$3.59m
- TRoNM (\$116k) – last Year \$376k
- NMIT (\$800k) – last year \$487k
- NMTAHC \$18k – last year 54.7k
- NMDL \$57.9k – last year \$49.2k
- NMCT (\$156.8k) – last year \$169.4k
- NCL (Custodian) \$5k – last year 3.4k

Group Revenue breakdown

Total Group Revenue for 2023 was \$26.9m driven by Contract Revenue of \$22.8m (\$28m last year), Project Income of \$1.78m (\$2.2m last year) and CNI rental of \$1.4m (\$1.38m last year). A more graphical overview of our 2022 and 2023 revenue breakdowns can be found in the charts below.



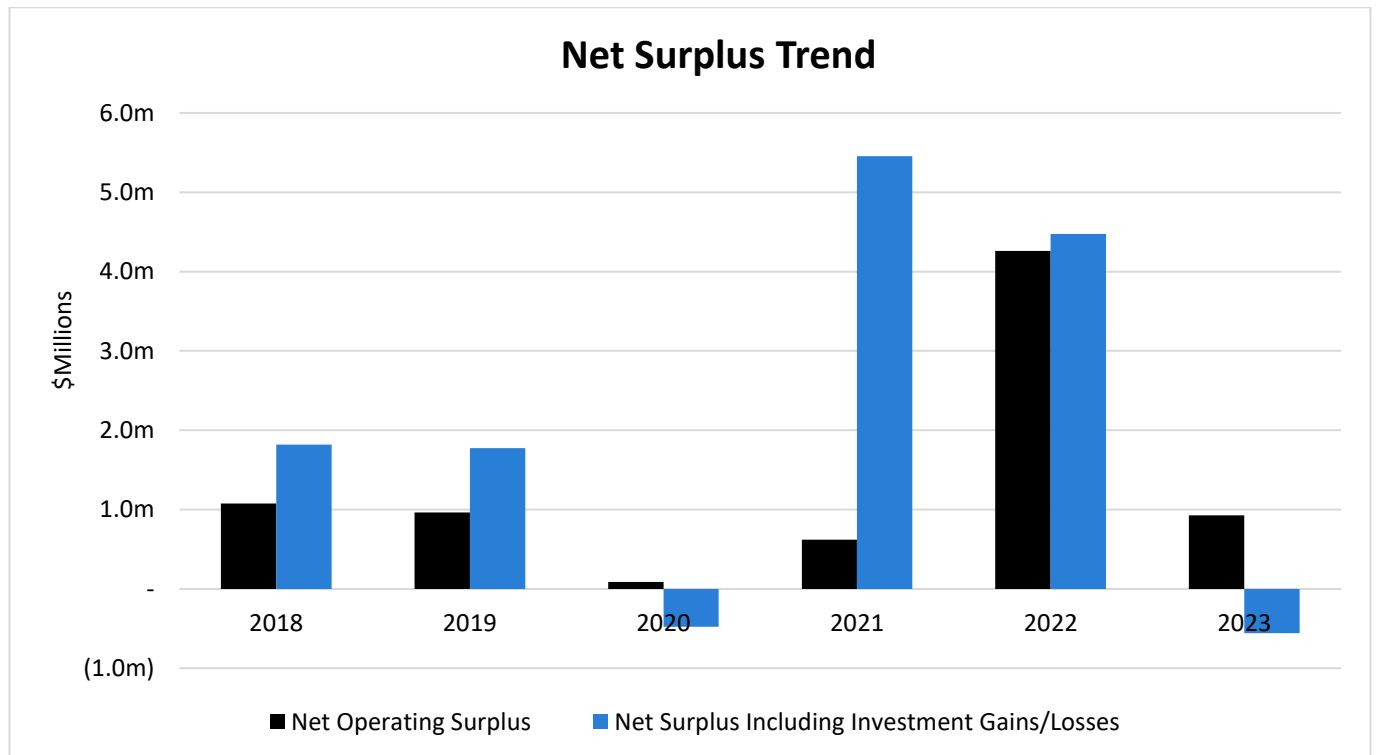
The managed investment portfolios, private equity investments, and gains on asset revaluations returned combined gains of **(\$1,283,527)** in 2023 compared to **(\$115,656)** in 2022. The investment losses and Net Operating Surplus together brought the Group's Total Comprehensive Income for the Year of **(\$556,661)** compared to a result of **\$4,472,502** in 2022.

Taxation on profits is **\$141,254** calculated at **17.5%** on taxable income.

Summary of Income and Expenditure	2023	2022
Income Received		
CNI Distributions	1,474,732	1,388,120
Interest	180,609	81,463
Dividends	476,850	415,993
Contract Revenue/Trading (including KLC and Manawa Gas sales)	22,889,575	28,777,910
Other Income	1,884,277	2,324,537
Total Income	26,906,043	32,988,023
Less Expenditure		
Operational/Management Expenses	9,916,638	8,932,649
Trading and Other Expenses	16,061,602	19,794,846
Total Expenditure	25,978,240	28,727,496
Net Operating Surplus	927,803	4,260,527
Investment Write Up(Down) & Share of Surplus	(1,343,210)	1,141,037
Taxation Expense	141,254	929,065
Total Comprehensive Revenue and Expenses for the Year	(\$556,661)	\$4,472,502

The chart below presents the Group's performance for the past six years. As expected, markets have remained turbulent, and with that the Group's Net Operating Surplus has decreased over the year. Global markets continued to be impacted by the Russia - Ukraine war and the economic fallout that followed which has resulted in high inflation rates around the globe.

Our Net Operating Surplus has been bolstered by the investment made in KLC Ltd during the 2021 financial year. Although, KLC returned lower operational returns in 2023 compared to 2022 its financial return has helped to minimise the negative returns achieved by our passive investment portfolio. Our managed fund portfolio returned unrealised losses in 2023. We expect our managed fund portfolio to regain momentum in the coming years as we take a long-term view. The Net Operating Surplus before investment losses for 2023 come in at **\$927k**.



Net Asset Position

Group Total Assets was **\$50,398,043** compared to **\$54,137,023** in 2022 resulting in a decrease of **7%**. The decrease in assets is attributed to decreases in Cash and cash Equivalents; Trade and Other; Intangibles; and Cash and Bank, which is largely due to assets held in KLC Ltd.

Loans represent **\$5,090,389** from BNZ to KLC Ltd and **\$2,134,071** from the Ministry of Business, Innovation and Employment (MBIE) to Manawa Developments relating to the purchase of KLC Ltd.

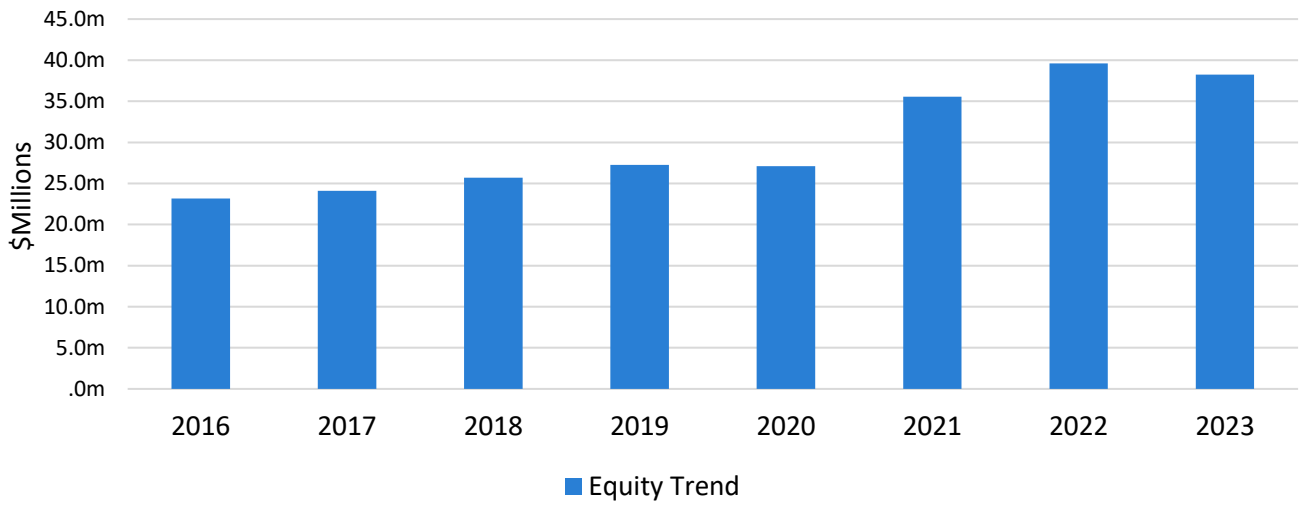
Net Equity for the Group decreased by **\$1,343,882** to **\$38,271,619** a decrease of **3%**.

Summary of Assets and Liabilities	2023	2022
Assets		
Cash and Bank Deposits	4,962,677	8,239,163
Receivables/ Loans	1,326,129	3,363,487
NMDL Escrow	-	-
Inventories	4,725,841	3,062,446
Tax Refund/ (Payable)	437,165	325,886
Fisheries Quota Shares /Aotearoa Fisheries Ltd	990,021	990,021
Property Plant & Equipment	13,189,604	12,632,770
Deferred tax Asset	7,887	137,302
Mataatua Quota Ace Holdings	200,132	186,638
DGH Partnership	-	-
Hononga Ltd Partnership	-	-
Te Whaihanga Ltd Partnership	-	-
Tukia Group Limited	1	1
Genesis Equity	387,181	387,181
Intangibles	976,062	869,940
Investment Portfolios		
Harbour Asset	7,476,131	7,967,235
Jarden Capital	7,016,582	7,352,840
Milford Private Wealth	6,897,149	6,957,277
Westpac	-	-
Direct Capital IV, V, VI	1,805,481	1,664,834
Total Assets	50,398,041	54,137,023
Liabilities		
Accounts Payable	1,348,205	4,730,727
Income tax Payable	-	-
Income in Advance	3,025,775	2,115,364
Provision for Holiday Pay	309,122	384,427
Rangitikei River Settlement	250,000	250,000
Loans	7,224,460	7,042,000
Total Liabilities	12,157,562	14,521,518
Equity	38,240,478	39,614,504

Equity Trend

The chart below presents the Group's Equity for the past eight years. The value of Group Equity has been trending upwards since 2016 showing that Group Assets net of Liabilities has been steadily increasing. As a result of the negative performance in 2023, our Net Equity Position has decreased \$1,374,026.

Equity Trend



Asset Allocation

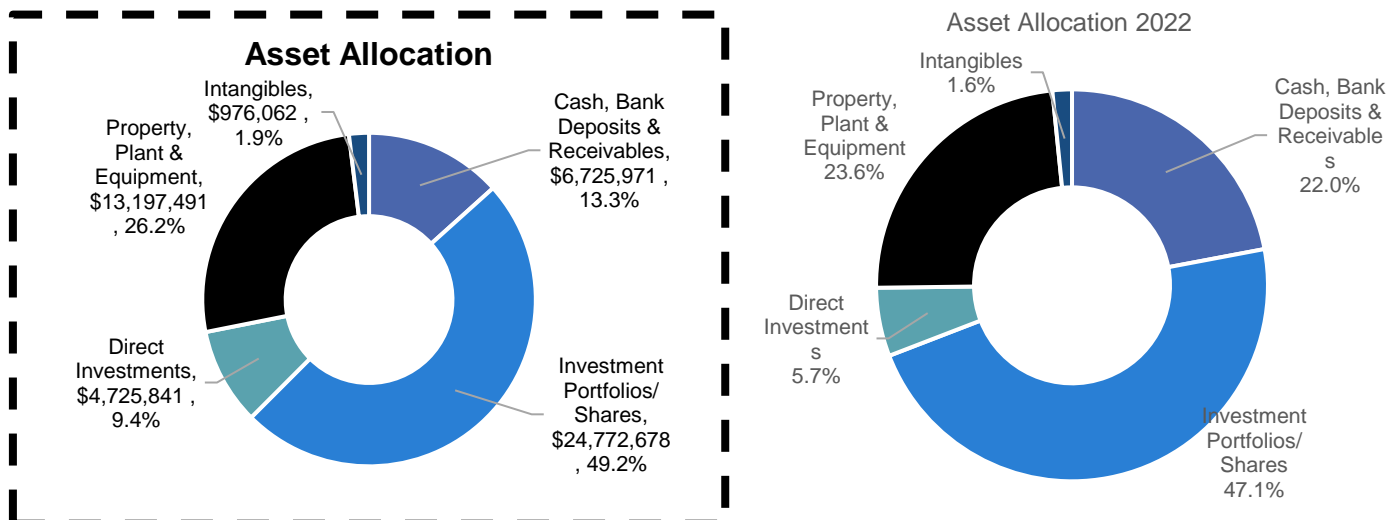
As at 31 March 2023, the value of the Group's asset portfolio was **\$50,398,041**. The allocation of assets by category is shown below.

The group holds 49.2% of its assets in investments and shares which includes managed portfolios with Jarden Capital, Harbour Asset Management, Milford Asset Management, fisheries assets, and private equity entities through Limited Partnerships with Direct Capital and Genesis. We held 13.3% in cash, bank deposits and receivables, 26.2% in property, plant and equipment, 9.4% in direct investments KLC Limited, and a fraction in 'Other Assets'.

Investment portfolios performed below expectations throughout 2023, Dividends received value was \$476,850, however, investments decreased in value by (\$1.34m). The Trust has made a commitment to invest a total of **\$3,800,000** into the Direct Capital IV, V and VI funds. As at 31 March 2023, we had **\$1,068,804** still to invest.

Bank deposits are invested in term deposits at trading banks at the best rates. One-year term deposit rates are currently around 6.00%.

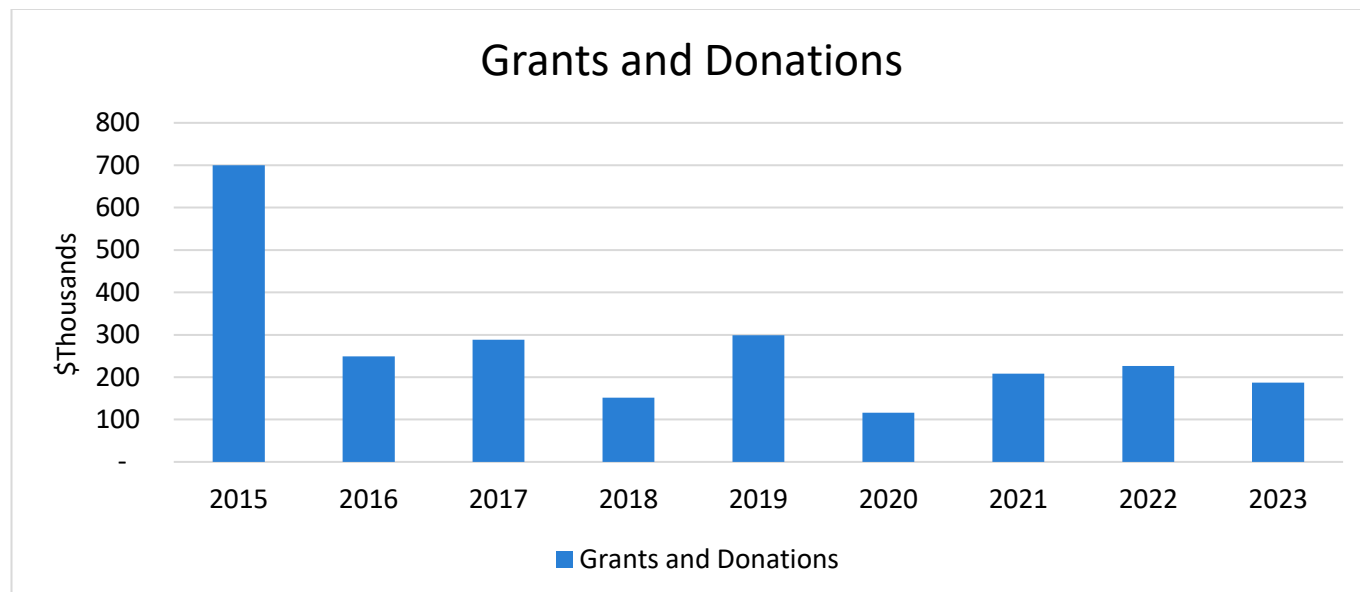
The value of the settlement and cultural land is still to be added to the statement of assets.



Ngāti Manawa Charitable Trust

During the year net of **\$67.2k** was donated to the Ngāti Manawa Charitable Trust. The financial details and operations of the Charitable Trust are also separately reported. During 2023, NMCT spent approx. \$187k on charitable activities.

Historical grants and donations for the past eight years were:



Fees paid during the year to the Trustees and Directors are as follows:

Trustees and Directors Fees	2023	2022
Kani Edwards	63,000	53,000
Leonard Grace	31,617	19,652
Pat McManus	23,600	19,600
John Porima	32,000	10,000
Laurie Porima	28,725	25,600
Taiarahia Taitoko	12,800	10,800
Maurice Toe Toe	26,800	32,650
Cassandra Crowley	19,725	19,500
Mana Newton	24,000	24,000
Jane Terewai Kalman	22,000	20,800
Total	284,267	235,602

Overall, we made meaningful progress over the year, providing over \$186kk in grants to our whanau, and took many positive steps towards achieving our wider Ngātīmanawatanga aspirations. When looking at our financial performance, the Group made positive operational returns, however, our total Net Profit is negative due to a decrease in the value of our investments. Our investment performance for FY23 was in line with global markets which have performed poorly in the face of global inflation and rising interest rates. The decrease in the value of investments is not crystallised and we expect the value of these investments to recover in the long-term. Considering the state of the global economy, our performance is positive and can be attributed to the efforts we have made in developing and diversifying our asset base into more direct investments which are not as sensitive to market movements.

The investment in KLC Limited was primarily to support our strategic outcomes. By securing a controlling interest we can create more employment opportunities for Ngāti Manawa and improve the financial performance of the company using our experience and resources in forestry operations and management. The investment serves us well and has brought much stability and growth to our financial position.

There are a number of opportunities explored by the Trust with the support of Manawa Developments (Commercial Group). These include funding and homeownership developments for uri; commercial developments to re-imagine and redevelop the township; and exploring wider opportunities to better utilise our underutilised whenua and wai. The key priorities for these projects are to create jobs in Murupara and to help improve the socio-economic status of the rohe, our uri and our whanau.

We are looking forward to continuing this journey with the Group and Ngāti Manawa and progressing your Anga Whakamua. Thank you for all your mahi and support this year.

Ngati Manawa Charitable Trust
Financial Summary Year Ended 31 March 2023

Summary of Income and Expenditure	2023	2022
Income Received		
Interest	5,906	850
Donations Received	971,893	650,000
Other Rental Income	18,700	19,738
Service Contracts Income	100,000	100,000
Total Income	1,096,498	770,588
Less Expenditure		
Audit Fees	1,750	1,665
Consultancy Expenses	5,608	-
Depreciation	1,378	1,448
General Expenses	156	185
Interest and Penalty IRD	-	-
Legal Fees	3,183	3,704
Management Fee	904,656	302,938
Printing, Stationery & Postage	-	9
Property R & M	24,198	27,874
Property Rates	10,794	12,612
Secretarial & Accounting	17,060	19,076
Subscriptions	1,591	1,101
Share Register	-	-
Total Expenditure	970,374	370,613
Net Surplus Before Grants and Donations	126,124	399,975
Summary of Grants	2023	2022
Marae Grants	79,889	53,492
Growing People and Capacity	55,001	52,600
Whanau and Hapu Development	42,089	44,448
Discretionary Grant	10,000	
Total Grants	186,979	150,540

Summary of Assets and Liabilities	2023	2022
Assets		
Cash & Cash Equivalents	155,560	348,843
Prepayments	-	-
Short Term Investments	232,244	95,759
Taxation Refund Due	281	281
Receivables	973,778	149
Property, Plant and Equipment	119,906	118,326
Total Assets	1,481,769	563,358
Liabilities		
Te Runanga o Ngati Manawa Trust	-	-
Accounts Payable	(121,377)	(69,328)
Loan from Ngati Manawa Investment Trust	-	-
Total Liabilities	(121,377)	(69,328)
Excess Assets over Liabilities	1,603,146	632,686