

KAIPARA COMMERCIAL DEVELOPMENTS LIMITED

PERFORMANCE AND HIGHLIGHTS

The KCDL Group has continued its run of achieving exceptional financial returns. For the 12 months ended March 2022 KCDL Group reported a net profit of \$5.9m. I wish to acknowledge the contributions of the dedicated KCDL staff, management team, Board and the subsidiary CE's Daniel Clay and Malcolm Patterson, in delivering another exceptional result for the enduring benefit of all Ngati Whatua. During the year we again experienced significant disruption as a result of the ongoing impact of COVID-19. With businesses having changed as well as low interest rates and the closure of global borders, the business environment had again experienced extreme uncertainty. However, throughout this uncertainty KCDL has continued to demonstrate resilience and has capitalised upon the opportunities that arose.

The key financial and performance highlights for KCDL during the year were:

- Net profit of \$5.9m (2021: \$1m),
- Undertook comprehensive due diligence of three significant local investment opportunities within the tourism and property development industries
- Established Okahukura Limited Partnership (OLP)
- Core returns within forestry investment and funds-under-management exceeded budget.

Furthermore, the net assets of the KCDL Group increased to \$70.3m [2021: \$62.8m].

DIRECTORSHIPS

KCDL currently has four serving Directors — Margaret Kawharu, Kristy Hill, Chris Cardwell (Independent) and Rhys Freeman (Chair). This Board structure meets the requirement of maintaining a majority of whanau directors.

INVESTMENTS

The KCDL Group has a total asset base of \$70.3m which represents a \$7.5m increase from the prior year (2021: \$62.8m). Forestry-related assets represent 8.4% or \$5.9m of the total KCDL assets, with \$64.4m (2021: \$59m) being non-forestry-related.

During the year KCDL continued its strategy of growing and diversifying its non-forestry related investments. This included:

- (i) Increasing its investment portfolio under management with Trust Asset Management (TAM) to \$37.1m (2021: \$34.9m) with a further capital investment of \$2m with an annualised return of +4.3%,

- (ii) Completing the sale of SB4 from within its Hobsonville Point development,
- (iii) Establishing Okahukura Limited Partnership (OLP) with KCDL holding 49% interest.

ACKNOWLEDGEMENTS

2021/2022 has been another outstanding financial year for KCDL, which can be attributed to the great mahi of all that have gone before us; and the dedicated team within the KCDL, all of whom are committed to ensuring a prosperous future for Ngati Whatua.

KCDL continues to be well served by both chief executives, Daniel Clay (WHH) and Malcom Patterson (Ngahere), both provide superb commercial leadership and decision making on behalf of Ngati Whatua. The KCDL Board wishes to acknowledge our CE's ongoing contributions to the continued success of KCDL.

I also wish to acknowledge the KCDL Board and the Trust board members that have participated within KCDL throughout the year, as having the professionalism and desire to meet the challenge of enabling KCDL to grow equitably.

Nga Mihi

Rhys Freeman

(Heamana)

ANNUAL REPORTS 2021-22

Te Rau Manga (TRM)

The value of TRM's share of the tree crop growing in Woodhill and Riverhead Forests under the joint venture with Matariki Forests (which is also the forest manager) continued to increase, to over \$5.9 million.



An independent audit on the performance of the Te Rau Manga Joint Venture was completed in March, 2022, by Ngahere Resources Ltd (NRL). This was very positive with key summary statements including:

- “On visual inspection the crop is growing well. Needle length and colour indicate good tree crop health and therefore growth.
- NRL considered the data supplied by Matariki and NRL inspection of the crop to be in alignment with best practise forest establishment,
- NRL believes than Matariki costs are reasonable and cost effective and this has to be kept in perspective with also producing a quality crop. Matariki is financially incentivised to produce a quality crop as they are a majority shareholder.
- From the reconciliations and review of the stumpage model [via which Te Rau Manga will earn its share of profit at harvest] NRL's view is this is working as intended.”

Ngā Maunga Whakahii o Kaipara Ngahere Ltd

In spite of the extraordinary disruptions of COVID, Ngahere had a good 2021-22 year.

External income received was approximately \$175,000 above budget. This was despite our licensed adventure operators in Woodhill (eg. the (mountain) Bike Park, 4WD Park and Sandpit motorcycle park) and our own Kake Hōiho horse park, all having to close during lockdowns and suffering reduced patronage as a result. To support our operators Ngahere reduced licence fees during periods they couldn't operate and this helped them all to pull through a very difficult time.

2021-22 was another boom year for filming in Woodhill and you may have seen the forest appearing in local productions such as Shortland Street and 'Teine Sā' – and the film 'Punch'.

Income was higher than expected from sand extraction and clean-fill. Wage subsidies from the Government's COVID fund were a substantial help.

Total expenses were about \$68 000 under budget.

With Ngā Maunga Whakahii o Kaipara Development Trust's ("NMWoK") support, following its Environmental Officer having collaborated on an assessment of environmental and cultural effects, Ngahere successfully gained resource consent for a sand extraction and clean-fill facility in Woodhill in late 2018. It became operational in early 2019, under licence to Woodhill Group.

In three years of operation, only a few clean-fill sources have been approved because of the very high acceptance thresholds in our resource consents and operating agreement with Woodhill Group. Likewise, there have been no notable incidents of contamination from accepted soil because of these stringent conditions and the associated monitoring programme.

A clean-fill review committee meets regularly to consider quality control processes and potential new sources of fill. Aside from Ngahere Ltd and Woodhill Group (and supporting environmental engineering expertise), there is an independent Ngāti Whātua o Kaipara hapū member on the committee to provide greater diversity of interested input.

Dozens of hapū members were shown the clean-fill site on tours through their forest estate in 2021 and had the opportunity to ask questions and make comment (as they have also had at beneficiary update hui).

Profits from the acceptance of clean-fill are ultimately passed back to the Trust to support its programmes for beneficiaries.

In 2021, Woodhill Group (with the support of the Clean-fill Committee and Ngahere Ltd) retained independent expertise to analyse the opportunity to accept fill from the City Rail Link ("CRL") project in Auckland City (the construction of underground railway to and from Britomart / Mt Eden). It was estimated that this would result in an additional \$60,000+ per annum for NMWoK. Subsequently, an application for a specific 'limited managed fill' consent was made to Council. It was necessary to apply for a 'limited managed fill' consent because the technical definition of clean-fill excludes the lubricating polymer that was used with the tunnel boring machine (and hence would be present in a diluted form in the excavated soil) as it is a manufactured (rather than natural) product. Independent expert advice concluded that the polymer, in the diluted concentrations and volumes that would come to Woodhill, will not create a significant risk to the environment or human health and would still comply with clean-fill standards. Any risk is further mitigated by on-site management measures at the facility (eg. retention ponding and an ongoing testing regime).

The CRL is a public transport project destined to have a positive impact on the environment - supporting the reduction of private vehicle use in our largest city. The Dome Valley project (which NMWoK has opposed) in comparison, is a land-fill - a site which by definition is designed to take material that can't meet the definition of clean-fill ... in layman's terms: a very wide selection of waste / rubbish - including potentially hazardous substances. In addition, the environment itself of Dome Valley is obviously completely different - containing waterways that drain into the harbour. The Woodhill facility in contrast, is positioned on sand country with considerable depth to groundwater and distant from any permanent water bodies, marine or freshwater, enhancing the filtration and dilution of any components from fill before they can reach water. Simply put, Woodhill is an ideal

location for a clean-fill facility that can also take the very specific, limited kind of managed fill from the CRL. Dome Valley is a poor location for a land-fill.

Since soil from the CRL started to be accepted at Woodhill (from early December 2021) there have been many tests conducted to ensure it meets our clean-fill criteria - which it has. We appreciate that accepting outside soil onto Ngāti Whātua o Kaipara whenua is not something done lightly and we hope, by reading this information piece, that whānau feel more informed. If you do have any questions or comments you'd like to make, wish to have a kōrero, or come and see the clean-fill site for yourself, please contact Ngahere's Tumuaki Malcolm Paterson (tumuaki@kaiparangahere.com).



Whānau group viewing the Woodhill clean-fill facility in 2021

Projects sand from the extraction facility in Woodhill Forest was used for included: Hospital Rd, Middlemore; Westhills subdivision, Fred Taylor Dr; Redhills subdivision, Massey; Drury housing, new town centre and rail line; Westgate commercial area; Hingaia Rd, Karaka; Kāinga Ora housing Northcote and Mt Roskill; and Clark Rd, Hobsonville.

In 2021-22 Ngahere continued to examine (and report up to the Trust Board on) potential diversification opportunities in Woodhill, including wind-farming and the possible development of new accommodation / hospitality / tourism / recreational enterprises, particularly in the southern end of the forest.



Computer generated graphic of what a Woodhill wind farm could look like from SH16 (looking west from near Bradley Rd)

In 2021-22 Ngahere Ltd employed ten members of Ngāti Whātua o Kaipara in regular roles, from the office / management team to part-time workers, to board directors. Another had children who whakapapa to Ngāti Whātua o Kaipara. No staff were let go during the difficulties of the COVID epidemic and shut-downs.

Our team maintain relationships with a wide range of stakeholders, including Auckland Council, the Department of Conservation, the NZ Defence Force, the Ministry of Primary Industries and the Police.

Our kaitiaki team patrol our forest estate, educating the public and monitoring for unwanted activity. It is primarily through this team that in 2021-22 hundreds of hours of non-commercial work were undertaken to support wider kaupapa of NMWoK, Ngāti Whātua o Kaipara and the five marae, including: providing equipment to support COVID vaccinations at south Kaipara marae; providing meat (primarily for tangi) and firewood; caring for wāhi tupuna; facilitating whānau access to visit and enjoy the forest and use its resources for cultural and social activities (eg. raranga and camping at Waionui Inlet); helping to manage marine mammals washed up on Te One Rangatira; facilitating educational experiences for groups with ties to Ngāti Whātua o Kaipara (eg. Woodhill School and Kaipara College).

Note: the financial figures used in the Ngahere report are taken from consolidated reports on the performance of Te Rau Manga and Ngahere Ltd provided by the NMWoK Development Trust's 'shared services'

NMWoK Annual Report 2021/22
NMWoK Whenua Hoko report

The past year has been positive for the property company of Ngā Maunga Whakahii o Kaipara, NMWoK Whenua Hoko Holdings Ltd ('Whenua Hoko'). We have realised more profits from the Te Uru investment, and embarked on a new residential development. The company continues to investigate new property investment opportunities, leveraging off its relationships and our mana whenua rights in the Ngāti Whātua o Kaipara rohe. We take a cautious approach to new investments to protect the commercial interests of Ngā Maunga Whakahii o Kaipara ('NMWoK').

Whenua Hoko received profits from the sale of property at Hobsonville Point, in the Te Uru Precinct purchased by Whenua Hoko. The Te Uru investment has put Whenua Hoko in a strong financial position for further investments in the property market or elsewhere. This has been achieved without acquiring debt or calling on the cash reserves of NMWoK.

Whenua Hoko retains both a commercial and cultural interest in 'Superblock 4', the last block to be developed at Te Uru. NMWoK will provide cultural design and placemaking input for the development, including the naming of new roads and reserves. This ensures that NMWoK retains a legacy in the development, as with the entire Te Uru housing development.

Whenua Hoko's next major investment is in a large residential development at Albany. We have formed a joint venture with Fletcher Residential Ltd and will purchase and develop a 9.5ha property from Massey University for the development. The joint venture will develop the balance of the property for between 160- 170 houses. The development will take approx. 3 years to complete, with works starting in the 2022/23 earthworks (summer) season. Importantly, we have set up the investment so the NMWoK Trust has no direct financial exposure or risk. The financial forecasts show a healthy profit for Whenua Hoko, and as with large property developments, profits will take a few years to be realised.

Undertaking a large development in Albany will reinforce Ngāti Whātua o Kaipara's mana in the Albany area and reflect Ngāti Whātua in the design. The name proposed for the development is Ōkahukura.

The Auckland property market has recently seen some market pressures, however the market fundamentals remain strong for the housing market in Auckland. Whenua Hoko therefore continues to identify and investigate new opportunities for property acquisition and development. We look to leverage off partnerships with the Crown and industry and NMWoK's Treaty Settlement and mana whenua rights.

Whenua Hoko has now been operating for 6 years and has performed well over this period. Its investments have yielded very good financial returns and provide a strong platform for further investments. It now has the experience and industry connections to continue to grow as a business, and we are applying those attributes to secure favourable new investment opportunities.

I acknowledge the oversight and guidance of te Poari of Whenua Hoko, Rhys Freeman, Margaret Kawharu, Kristy Hill and Chris Cardwell, and Rhys for his leadership as Heamana.

Daniel Clay (Tumuaki, Ngā Maunga Whakahii o Kaipara Whenua Hoko Holdings Ltd)

Images

Whenua Hoko and Fletchers undertaking a site visit at Ōkahukura



Directors Chris, Margaret and Rhys at the Okahukura site with Fletchers

