



Report of the
**Treaty Of Waitangi
Fisheries Commission
Te Ohu Kai Moana**

Annual Report For The Year Ended
30 September 2002

*Presented to the House of Representatives Pursuant to Section 39 of the
Maori Fisheries Act 1989*

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TE OHU KAI MOANA

TREATY OF WAITANGI FISHERIES COMMISSION

Hon Parekura Horomia
Minister of Maori Affairs
Parliament Buildings
Wellington

Tena koe e te Minita

Nga mihi whanui ki a koe a, ki to tari hoki.

E whai ake nei te Purongo a-Tau – nga mahi i mahia e Te Ohu Kai Moana me ona Peka mo te tau kua ngaro.

I have the honour to present to you the 10th Annual Report of the Treaty of Waitangi Fisheries Commission, for the 12 months ended 30 September 2002.

Kia ora

Shane Jones
CHAIRMAN

TREATY OF WAITANGI FISHERIES COMMISSION (TE OHU KAI MOANA) AND SUBSIDIARY COMPANIES

ANNUAL REPORT FOR THE YEAR ENDED
30 SEPTEMBER 2002

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TREATY OF WAITANGI FISHERIES COMMISSION (TE OHU KAI MOANA) AND SUBSIDIARY COMPANIES

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**TREATY OF WAITANGI FISHERIES COMMISSION
TE OHU KAI MOANA
REPORT OF THE COMMISSIONERS
FOR THE 12-MONTH PERIOD ENDED 30 SEPTEMBER, 2002**

• **GENERAL**

The Treaty of Waitangi Fisheries Commission (Te Ohu Kai Moana) was established by the Maori Fisheries Act 1989 as amended by the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992 (“the Settlement Act”). This is the tenth annual report of the reconstituted Commission to the House of Representatives. The Commission’s predecessor, the Maori Fisheries Commission, furnished three annual reports to the House.

PURPOSE OF TE OHU KAI MOANA

The principal functions of the Treaty of Waitangi Fisheries Commission are set out in Section 5 of the Maori Fisheries Act 1989 (“the Act”), and include:

- Facilitating the entry of Maori into, and the development by Maori of, the business and activity of fishing, and
- Granting assistance to any Maori, or group of Maori, for the purpose of enabling that Maori, or group of Maori, to continue in or to develop the business and activity of fishing.

MEMBERSHIP

Commissioners are appointed by the Governor-General on the advice of the Minister of Maori Affairs after consultation with the Maori Fisheries Negotiators and representatives of Maori, who are or may be beneficiaries of the assets held by Te Ohu Kai Moana.

The current Commissioners were originally appointed on 22 August 2000 for a two-year term, but were granted an extension by The Minister of Maori Affairs.

Commissioners are: Craig Ellison (deputy chairman), Naida Glavish, June Jackson, Shane Jones (chairman), Robert McLeod, June Mariu, Ken Mason, Maui Solomon, Archie Taiaroa, Toro Waaka and Hon Koro Wetere.

Staffing

There are 26 full-time employees at Te Ohu Kai Moana, with one person employed under a contract for services.

MEETINGS OF TE OHU KAI MOANA

Commission Meetings

The Commission meets monthly or more frequently when required. Te Ohu Kai Moana also has a limited number of sub committees and project teams involving both Commissioners and staff members.

Hui-A-Tau

Section 34 of the Act requires Te Ohu Kai Moana to hold a public meeting (Hui-a-Tau) not later than 31 July each year. The Hui-a-Tau covering aspects of the previous financial year was held at Pipitea Marae, Wellington, on Saturday 11 May, 2002.

Maori Commercial Fisheries Conference

The annual Maori Commercial Fisheries Conference was held on Monday 13 May 2002 at the Duxton Hotel, Wellington. The theme for the conference *He Kawenga Pumau* (Taking Responsibility) focused on working in partnership and maximising returns through “co-operative competition”, integrating commercial and customary fisheries, Iwi governance, aquaculture and environmental practices.

COMMUNICATIONS

In the year under review, the Commission released a number of publications related to allocation. This included options on allocation in *He Anga Mua – A Path Ahead*, *He Tohu Arahi* (a Guide to Representation on Iwi Organisations) and *Ahu Whakamua – Report for Agreement*. The Commission also produced six issues of its newsletter *Tangaroa*, including a special allocation edition with the release of *Ahu Whakamua – Report for Agreement*.

The Commission also released its yearly Strategic Plan for the 2001/02 financial year in December 2001, and furnished the ninth annual report to Parliament in March 2002 covering the 2000/01 financial year. A colour version of the annual report was sent to all Iwi and interested parties.

• ALLOCATION

WORK ON ALLOCATION OF ASSETS AND DISTRIBUTION OF BENEFITS

In the year in review, the Commission consulted on and developed a model of allocation and benefit distribution for the entire Fisheries Settlement. As a result, and the need to reach a conclusion, the work on allocation took on a greater intensity.

Since their appointment in August 2000, Commissioners began assessing how best to progress allocation. The work completed by the previous Commissioners, in particular the extensive consultation that had taken place from 1992, the views and opinions put forward by the taumata paepae and the allegations made against the Commission that remained before the Courts, were extensively reviewed by Commissioners.

This work culminated in the release of a discussion document on allocation of the entire Fisheries Settlement in December 2001. This document, called *He Anga Mua*, reflected a fundamental shift away from earlier discussion material released by the Commission. It set out options for the allocation and distribution of both Pre-Settlement Assets (PRESA) and Post-Settlement Assets (POSA), signalling to Iwi and the wider Maori community the desire and need to reach a conclusion to the issue of Maori fisheries allocation.

Release of He Anga Mua

He Anga Mua – A Path Ahead was released in December 2001 and contained four separate allocation proposals together with a discussion of the possible implications arising from each. The four proposals considered a range of options from the allocation of all Settlement assets to different combinations of allocation and retention.

The Commission signalled its intent in *He Anga Mua* to select the best combination of component parts to ensure Maori maintain and grow a leading role in the New Zealand fishing industry.

A comprehensive consultation process was initiated with the release of *He Anga Mua* on 1 December 2001 at Hopuhopu, Waikato. Invitations were sent to representatives from all Iwi and about 250 people attended the gathering. The Commission had arranged with TVNZ to profile *He Anga Mua* in a special 30-minute programme on *Marae* on Sunday 2 December. The Commission took out full page advertisements in the country's leading newspapers on Saturday 1 December. The Commission's chairman and chief executive both appeared on TVNZ's *Marae* programme explaining the proposals in *He Anga Mua*.

Information hui

Between Monday 3 December and Friday 14 December 2001, Commissioners and staff travelled to 12 marae around the country to conduct information hui, explaining in detail the proposals in *He Anga Mua*. Each hui was advertised in daily newspapers, as well as community newspapers, around the country. The meetings were also advertised on Iwi radio stations. Commissioners and staff attended 12 regional information hui at the following locations on the following dates:

- Monday, 3 December 2001, Kaitia
- Tuesday, 4 December 2001, Auckland
- Wednesday, 5 December 2001, Hamilton
- Thursday, 6 December 2001, Rotorua
- Friday, 7 December 2001, Whakatane
- Saturday, 8 December 2001, Gisborne
- Monday, 10 December 2001, Napier
- Tuesday, 11 December 2001, Hawera
- Wednesday, 12 December 2001, Wellington
- Thursday, 13 December 2001, Nelson
- Friday, 14 December 2001, Christchurch
- Saturday, 15 December 2001, Chatham Islands

During this two-week period, the Commission also advertised extensively on lwi and commercial radio stations about the proposed options. These advertisements also advised that a copy of *He Anga Mua*, as well as summary versions, could be obtained from public libraries. Advertising was also taken out in leading Maori magazines.

Injunction to stop consultation

Following information hui, the Commission moved into the second stage of consultation – the receipt and analysis of submissions. However, in early February, certain groups applied to the High Court for an injunction to prevent the Commission from consulting on *He Anga Mua* proposals until certain additional information was supplied by the Commission. While the applicants were unsuccessful before the Court, in the wider interests of consultation and moving forward, the Commission determined to supply the information sought.

Consultation hui

The Commission attended the following consultation hui to discuss and receive submissions:

- Mon 11 Feb 2002 – Te Rau Aroha Marae, Murihiku
- Tues 12 Feb 2002 – Te Rangimarie Centre, Christchurch
- Wed 13 Feb 2002 – Te Whakamaharatanga Marae, Chatham Islands
- Thurs 14 Feb 2002 – Whakatu Marae, Nelson
- Fri 15 Feb 2002 – R.S.A Building, Hokitiki
- Mon 18 Feb 2002 – Hairini Marae, Tauranga
- Tue 19 Feb 2002 – Omarumutu Marae, Opotiki
- Wed 20 Feb 2002 – Rahui Marae, Tikitiki
- Thurs 21 Feb 2002 – Pahau Marae, Gisborne
- Fri 22 Feb 2002 – Waipahihi Marae, Taupo
- Mon 25 Feb 2002 – Waimarama Marae, Hastings
- Tues 26 Feb 2002 – Nga Tau E Waru Marae, Masterton

- Wed 27 Feb 2002 – Takapuwahia Marae, Porirua
- Thurs 28 Feb 2002 – Putiki Marae, Wanganui
- Fri 1 March 2002 – Owae Marae, Waitara
- Mon 4 March 2002 – Te Tii Marae, Paihia
- Tue 5 March 2002 – Te Rerenga Paraoa Marae, Whangarei
- Wed 6 March 2002 – Orakei Marae, Auckland
- Thur 7 March 2002 – Hopuhopu Centre, Hamilton
- Fri 8 March 2002 – Te Pae O Hauraki Marae, Paeroa

Consultation hui were attended by both Iwi representatives, Iwi members, individual Maori and representatives of Maori organisations. Throughout both series of hui Commissioners and staff discussed the proposals set out in *He Anga Mua* and answered questions from the floor. Submissions were received by the Commission directly at the consultation hui, by post and also sent by facsimile.

The Commission formally stopped receiving submissions on 15 March 2002. However, as a matter of practice, the Commission still had regard to submissions received beyond this date. The Commission received submissions from all 58 Iwi / Iwi groupings (for an explanation of recognised Iwi, see *Iwi Readiness*, page 11) recognised by the Commission, together with submissions from Maori organisations and individual Maori. A synopsis of those submissions was made available on the Commission's website.

Development of Ahu Whakamua

Between March and August 2002, the Commission developed a single method of allocation for the entire Fisheries Settlement. The Commission took into account submissions received on *He Anga Mua* through the consultation process and beyond, was guided by the Deed of Settlement, the legislation governing the PRESA and POSA, by the resolutions of the 1992 Hui-a-Tau of the Maori Fisheries Commission, relevant Court decisions as well as a decade of extensive consultation and discussion with Iwi, Maori representative groups and individual Maori.

The Commission recognised that the substantive proceedings that remain needed to be resolved and established a dispute resolution process as a way through. That process sought to determine what issues the plaintiff parties had against the Commission and, where possible, ways to enter into discussions to find practical solutions.

Throughout the consultation and facilitation of agreement phase the Commission met with Crown officials from a number of executive branches of Government. These meetings provided the Commission with an opportunity to inform various agencies of the progress that the Commission was making and also discuss important aspects of the allocation model, such as Crown resourcing.

Application to lift restraining order

In 1998 the High Court imposed the requirement on the Commission that parties in litigation against, or in support of, the Treaty of Waitangi Fisheries Commission's 1998 Optimum Method of Allocation for PRESA receive the "full particulars" of the proposed method of allocation 14 working days prior to the Commission reporting the method to the Minister of Fisheries.

The Commission fulfilled this requirement in March 1999, at which stage the litigant parties sought and won an injunction preventing the Commission from reporting to the Minister.

Following full consultation over new proposals for allocation the Commission and the Crown sought to remove the injunction preventing reporting to the Minister. This application was heard on 30 July 2002 in the High Court at Wellington before Justice Patterson. The Court accepted the Commission's application and decided to lift the injunction subject to the Commission's agreement to extend the notice period to parties of the Commission's intention to report to the Minister to 20 days and to give reasons regarding its decisions in *Ahu Whakamua* upon request.

Release of Ahu Whakamua

On Wednesday 14 August 2002 at Hopuhopu, Waikato, the Commission publicly released its model for allocation of assets and distribution of benefits for the entire Fisheries Settlement. The model was detailed in a publication called *Ahu Whakamua – Report For Agreement*. A second, easy to read summary of *Ahu Whakamua* was also released at the same time with the Report for Agreement and was titled *Ahu Whakamua – What it means for you*. Invited Iwi representatives attended the launch.

Achieving Agreement

Following the release of *Ahu Whakamua*, the Commission held meetings with representatives of Iwi organisations and other interested parties. These were an important part of the agreement process. The meetings provided an initial opportunity for the Commission to speak to *Ahu Whakamua*, clarify any outstanding issues and provide answers to any questions. They allowed for an in-depth and robust debate to take place on the different aspects of *Ahu Whakamua*. The meetings were:

- 19 Aug 2002 – Te Kotahitanga o Te Arawa Waka
- 20 Aug 2002 – Waikato, Maniapoto, Raukawa
- 21 Aug 2002 – Hauraki
- 22 Aug 2002 – Ngati Tuwharetoa
- 23 Aug 2002 – Ngapuhi
- 24 Aug 2002 – Ngai Tahu
- 26 Aug 2002 – Ngati Raukawa, Ngati Toa, Muaupoko and Atiawa
- 28 Aug 2002 – Te Tau Ihu Iwi
- 29 Aug 2002 – Ngati Kahungunu
- 30 Aug 2002 – Te Aitanga a Mahaki, Rongowhakaata and Ngai Tamanuhiri

- 2 Sept 2002 – Te Taitokerau Iwi
- 3 Sept 2002 – Ngati Wai, Ngati Whatua
- 4 Sept 2002 – Ngaierangi, Ngati Ranginui and Ngati Pukenga
- 5 Sept 2002 – Tuhoe, Ngati Awa, Whanau a Apanui, Whakatohea, Ngati Tahu, Ngati Manawa and Ngati Whare
- 9 Sept 2002 – Taranaki and Ngati Ruanui
- 10 Sept 2002 – Te Atihaunui a Paparangi, Rangitane, Ngati Hauiti and Ngati Apa
- 13 Sept 2002 – Ngati Porou
- 3 Oct 2002 – Ngati Mutunga ki Wharekauri and Moriori

The Iwi organisations that the Commission met with were those that Iwi and the Commission have recognised for the purposes of the annual lease-rounds. Each Iwi recognised by the Commission has a representative body that has the mandate to represent their Iwi for fisheries purposes. In September, the Commission also met with litigant parties to the substantive hearings in order to facilitate agreement.

IWI READINESS

In 1992 Te Ohu Kai Moana formally recognised 78 Iwi for fisheries allocation. (This reduces to 58 Iwi/Iwi groups after the Commission agreed to also deal with two particular “groupings of Iwi” for fisheries allocation matters. They were the 10 Te Arawa Iwi to be treated as one Iwi through Te Kotahitanga o Te Arawa Waka and the 12 Hauraki Iwi to be treated as one Iwi through Hauraki Maori Trust Board.)

In determining this list of Iwi, the Commission decided on a set of essential characteristics of Iwi. These are:

- Shared descent from tipuna;
- Hapu;
- Marae;
- Belonged historically to a takiwa; and
- An existence acknowledged by other representative Iwi organisations who are contiguous or adjacent to the claimed rohe.

Te Ohu Kai Moana is confident that a thorough and transparent process has been used to identify Iwi for matters relating to the commercial fisheries resources held on behalf of all Maori. These 78 recognised Iwi and respective recognised Iwi organisations will be listed within the Maori Fisheries Bill 2003.

For allocation to occur, each of these recognised Iwi must have a representative organisation that meets certain minimum constitutional standards with regard to representation (mandate) and organisational structures. These constitutional standards aim to maximise the opportunity for Iwi members to participate in elections - and thus maximise accountability of representatives - and to ensure appropriate separation of roles and responsibilities within an Iwi organisation.

Te Ohu Kai Moana is concerned in particular that representation and governance is separated from management of fisheries assets by separating both functions and limiting the number of elected representatives on the Iwi organisation who can serve as directors on the asset management body. Any vesting of fisheries assets or benefits will not occur for any Iwi organisation that does not meet the constitutional and organisational requirements identified by Te Ohu Kai Moana.

Iwi Registers

Membership registers are a critical requirement for Iwi organisations. Iwi organisations need a system whereby they can reliably identify and contact their membership. Through registers, Iwi organisations can demonstrate an ability to communicate with all their members and provide for full participation in decision-making processes.

The Commission's policy sets a mandatory requirement that Iwi organisations have member registers in place before the Iwi organisation would be eligible to receive their share of allocated assets and distributed benefits from the Settlement. This will be an ongoing requirement.

Te Ohu Kai Moana is associated with Te Puni Kokiri and Crown Forest Rentals Trust in supporting the initiative of the Maori Registration Service, which aims to provide a cost effective means for Iwi to establish and maintain registers of Iwi members. Subject to certain performance requirements, Te Ohu Kai Moana has committed \$700,000 to the project, which will be complemented by a substantial contribution from Crown Forest Rentals Trust.

• GROWTH

COMMERCIAL PERFORMANCE

Financial performance

The financial statements included in this report cover the activities for the Commission, its subsidiaries and associates for the 12-month period ending 30 September 2002. This is the first full year of the new structure following the sale of Brierley Investment Limited's 50 percent interest in the Sealord Group to Nippon Suisan Kaisha, Limited (Nissui).

The restructure has resulted in the Commission's investment in the Sealord Group being shown as an "Investment in Associates" and the income being included as "Dividends Received" when distributed, with the undistributed profits shown as "Share of Associated Companies Surplus" in the Statement of Financial Performance. The movement in many of the numbers between the 2002 and 2001 comparative figures is a result of the change in accounting methodology in the 2001 period brought about by the sale of BIL's Sealord shareholding, consequent restructuring and the fact that the reclassification of results was for only a part-year.

Removing the residual turnover of the Sealord Group in the 2001 comparative figures produces a very similar operating revenue number for the two years. The big movement in the operating revenue for the Commission as the parent entity results from the receipt of the special dividend received in 2001 as a result of the sale process. Apart from the special dividend the operating revenue for Te Ohu Kai Moana as the parent entity remained relatively consistent.

The 2002 financial year net surplus of \$19.7 million (2001 \$37.1 million) was generally affected by the continued slow down experienced in the second part of the 2001 financial year with lower volumes of product and weakening demands within the world whitefish markets.

The contributions from the Sealord Group and Moana Pacific, the two largest components of Te Ohu Kai Moana Group, were not as strong as the previous year. As discussed below Sealord was substantially affected by the consumer retrenchment following the events of 11 September 2001 and consequent reduction of world white fish prices. Moana Pacific's performance continued to be affected by the impacts of the restructuring that resulted from the 1998 forex problem. The balance of the group performed well.

While early projections for the 2002/03 financial year suggest improvements, these are not expected to be substantial given current market conditions.

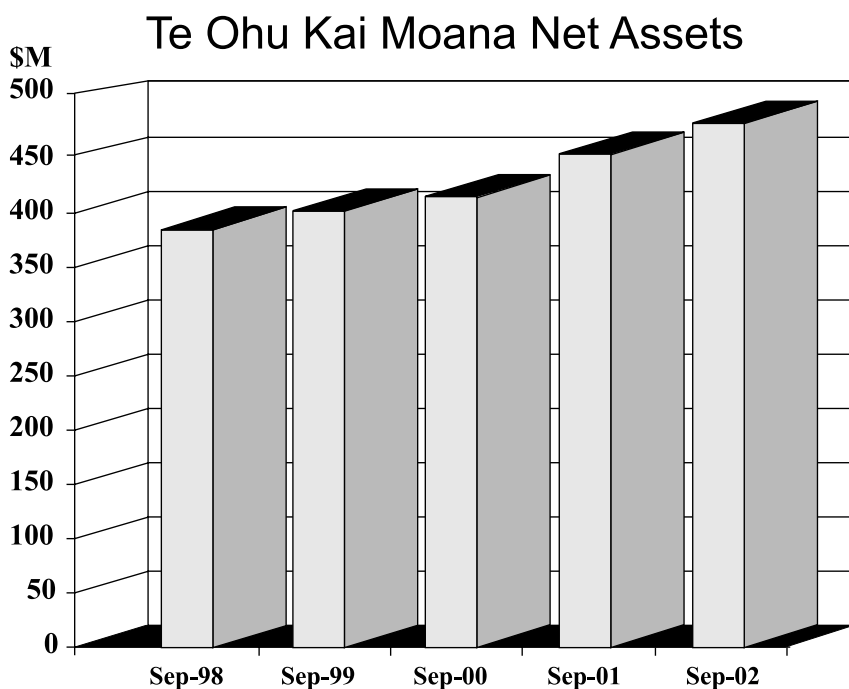
Annual Access Distribution Round Dispute Funds

As has been previously reported, the Commission holds funds on trust arising from ongoing disputes between Iwi relating to the annual access distribution or previous lease rounds. At balance date, the funds held on trust had increased to \$3.2 million compared to \$2.7 million the previous year. Efforts continue to resolve these issues to allow the distribution of these funds at the earliest opportunity.

Financial position

The asset base of Te Ohu Kai Moana and its subsidiaries continues to grow with total assets attributable to the group being \$549.1m (2001 \$533.6m) with net assets of \$475.9m (2001 \$457.0m). The growth in the net assets represents a 4.1 percent return after tax and after distributing \$1.1m to the Te Ohu Kai Moana Charitable Trust for scholarships and other educational and training opportunities for individual young Maori, plus the discount on the annual catch entitlement sales which are a direct distribution to Iwi.

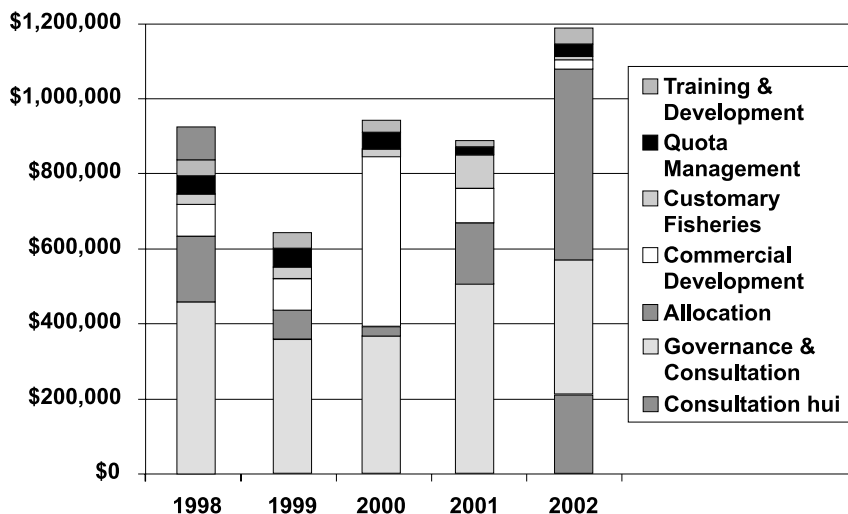
A major asset of the Te Ohu Kai Moana Group is the significant amount of quota held within the Quota Management System (QMS). The quota is valued in the Statement of Financial Position at its cost to the group. The market value of that quota is significantly higher than its declared value. However, as Te Ohu Kai Moana group is a long-term holder of this asset no revaluations have been included in the financial statements.



Commissioners' Fees

Total fees paid to Commissioners in the 2002 financial year, excluding director's remuneration, amounted to \$1.2m (2001 - \$883,000). The total for the current year reflects the enormous increased level of activity necessary by Commissioners as part of the development of the allocation model resulting in the publishing of *Ahu Whakamua* in August 2002.

Commissioners' Fees for the Years Ending 30 September 1998 to 30 September 2002



SUBSIDIARIES' PERFORMANCE

Sealord Group

The 2001/02 financial year was a challenging one for the Sealord Group. Worldwide business continued to grow and reached a new sales record. However, reduced returns were experienced as a result of margin declines on sales on the company's key species – hoki and New Zealand Greenshell™ mussels – coupled with unfavourable foreign exchange.

Excluding agency sales, revenue totalled \$595m, an increase of \$35m compared to the previous year. The major growth market was Europe, where sales grew 23 percent and increased activity with Nissui helped the recovery of sales in the Asian market. The New Zealand retail business grew strongly with several new product lines and category successes.

Group earnings (after hedging) were \$40.2m, a reduction of \$22.7m compared to the previous year. A drop in prices for hoki and mussels, which account for a large part of Sealord's production, was a major factor, and others were the reduction in the hoki catch, slow mussel growth, adverse currency rates and the first year of Argentinean operations.

Sealord continued to expand its operations in Europe and to consolidate its business in other parts of the world. It acquired a smokehouse in northern England and continued to increase its sales to the United Kingdom retail chain Waitrose. It overhauled and improved its joint venture fishing operations in Argentina.

Sealord established joint venture companies with several Iwi and Maori organisations, including the Hauraki Marine Development, Ngati Kahungunu

and Whakatohea Maori Trust Board, and applied for water space for mussel farming and spat catching in the Firth of Thames, Hawke's Bay and Bay of Plenty. There was concern that the ventures would be delayed by the two-year moratorium on new mussel farming developments. However, Sealord and its Maori partners were among those who successfully campaigned for the proposed legislation to be amended.

Sealord Chief Executive Phil Lough, who headed the company for eight years, announced that he would be retiring. Mr Lough led Sealord's transformation from a Nelson fishing company to a global seafood enterprise with worldwide fishing, processing and marketing networks. He left in October 2002. His successor, Doug McKay, is the former chief operating officer and board director of Sydney-based Goodman Fielder.

Moana Pacific Fisheries Limited

Moana Pacific Fisheries Limited is an integrated inshore fishing and processing company with an export focus. Snapper and rock lobster are the main quota species, with all other inshore species and tuna as complementary products. Moana's main operational focus is in the waters around the northern and eastern coasts of the North Island, with rock lobster operations also around the South Island.

Te Ohu Kai Moana's shareholding is 84 percent. The balance of the shares (16 percent) is owned by Te Kupenga Ltd, a company comprising several Iwi shareholders, Te Ohu Kai Moana, and a trustee holding shares on behalf of Ministry of Maori Development (Te Puni Kokiri).

Moana's core competencies of harvesting, processing and marketing live and fresh chilled seafood to virtually every seafood market in the world provided the basis for a successful operational year for the company.

International market conditions for the company's products were variable in 2001/02 with wetfish prices under pressure for most of the year, particularly in the United States and Australia. Moana's products are at the premium end of seafood meal selections and these markets are directly affected by domestic or international economic uncertainties. In contrast, Asian rock lobster markets were relatively strong throughout the year.

The Japanese economy continues to be weak and apart from a limited number of festive periods, the returns from this market during the year were not satisfactory.

Moana's ongoing commitment to the New Zealand market has seen expansion of sales under the preferred supplier arrangements with the Foodstuffs Group and an enhanced presence in the Auckland Food Service sector via the "Moana on the Basin" operation at the Viaduct Basin in Auckland.

Sales achieved in the 2001/02 year were \$115m. Operating earnings continued to be affected by liabilities to historical foreign exchange contracts, which were at contract rates materially disadvantageous to the company compared to the spot rates during the year.

The company will have satisfied its obligations to all historical forex contracts by the end of the 2002/03 year and will, during 2002/03, bring its

forex portfolio back within approved board policies. At balance date, the company converted its borrowings to New Zealand dollars and this provided a substantial one-time gain, which has been included in this year's result.

In response to ongoing quota cuts in key species harvested in the East Coast North Island fisheries, the company has, since balance date, rationalised its operations and essentially ceased wetfish processing operations in the East Coast region, concentrating all wetfish processing at its Pukekohe and Onehunga plants, except for some overflow processing in Gisborne.

Moana Napier and Moana Gisborne have now become wetfish landing points, rock lobster swimming operations and retail seafood outlets. This rationalisation regrettably resulted in a number of positions being made redundant, but all affected employees have since found alternative employment.

Moana has also reviewed its quota portfolio and has sold some quota for deepwater wetfish species to companies within Te Ohu Kai Moana Group. This has enabled the harvesting and processing operations of Moana to focus on the inshore and near waters fisheries and enabled the company to reduce its debt levels to create a very strong balance sheet as a basis for the future.

Moana has syndicated its borrowings and now has joint funding arrangements with Westpac and Hong Kong and Shanghai Banking Corporation (HSBC).

The company says it faces numerous challenges to exercising its property rights related to its involvement in inshore fisheries. In many instances, these challenges are driven by environmental groups and regional recreational fishers. The Ministry of Fisheries does not balance these challenges against the economic activity created by the inshore fisheries of New Zealand.

Whilst the company is performing ahead of its profit plans for the first quarter, the outlook for the full 2002/03 year is uncertain with market prices likely to be affected by international events and their effect on the international markets Moana services. Financial returns likely to be affected by the strength of the New Zealand dollar will also play a part. However, Moana is now in a strong position to cope with these uncertainties and looks to future opportunities.

Chatham Processing Limited

Chatham Processing Limited (CPL) is a wholly owned subsidiary of Te Ohu Kai Moana. The Chatham Islands-based company primarily exports rock lobster to Asian and United States markets. CPL also processes and exports wetfish and shellfish to Australia and Asia.

CPL is the largest single employer on the Chatham Islands. At the height of the season, CPL employs 35 staff with three quarters of the company's employees Maori.

CPL performed well during the 2001/02 financial year with sales exceeding \$8.5m, an increase of \$1m on the previous year. This was offset by an increase in operating costs with the company facing higher fuel, shipping, storage, and production charges.

During the 2001/02 financial period CPL sacrificed profit in an effort to stimulate the Chatham's line fishery. This move was to provide more consistent work for employees and benefit from the other flow-on effects a strong production centre creates for the Chatham's infrastructure.

The markets for all species, especially wetfish were weaker during the 2001/02 financial period. Weaker markets, higher operating costs, an appreciating dollar, and the unique operating conditions on the Chatham Islands provide a tough environment for the year ahead. CPL is focused on its core business and will continue to provide good returns to the shareholder.

As stated in last year's annual report, CPL remains committed to building strategic relationships with Iwi and other interest groups on the Chathams. The strength and sound management of these relationships will influence further growth and the long-term profitability of CPL.

Pacific Marine Farms Limited

Pacific Marine Farms Limited (PMF) consolidated on its 2001 performance with another good financial result for 2002. Sales were up 15 percent with a flow-on increase in profitability. The performance of the company was assisted by favourable economic conditions especially in the earlier part of the season.

PMF specialises in the farming, processing and marketing of Pacific oysters for export markets. This is augmented by Greenshell™ mussel production and sales during the oyster off-season.

The company expanded its marine farming activity during the season with additional farm development in the Parengarenga and Whangaroa harbours. The additional capacity augments the company's marine farms throughout the Coromandel and Northland areas. This is particularly important in an industry affected by the weather, particularly high rainfall.

During the season both Coromandel and Northland experienced heavy and sustained periods of rain, which seriously affected condition and production. Due to the systems, the dedication of farming personnel and improved performance from a number of the Muriwhenua/PMF-managed farms, the company managed to sustain productivity and supply over these times.

Pacific oysters and mussels are a commodity product worldwide. They can be grown in almost any ocean around the globe. New Zealand's competitive advantage is its clean water reputation and compliance and monitoring regimes. This reputation is constantly under threat by actions or inactions by regional councils to protect this environment, as was experienced by oyster farmers in the Waikare Inlet. While PMF was not directly affected by marine farm closures in the Waikare, an indirect impact has been the attention created in overseas markets by these events which has served to highlight the fragility of our aquaculture industry.

Of greater concern to the ongoing viability of the company, to marine farming continuity and industry growth are proposed marine reserves and aquaculture law reforms currently before Parliament. Both reforms, as currently proposed, would seriously undermine the existing rights enjoyed by marine farmers and have the potential to devalue the current asset base and earnings potential of the company.

Pressure will come on the financial performance of the company in 2003 as a result of a rapidly appreciating dollar and a general softening of demand and pricing worldwide. Input costs are generally increasing domestically and internationally – fuel and freight are two of the immediate concerns. PMF will focus its efforts on production improvements, farming research and development in the coming year and on maintaining its niche markets and relationships to offset the tougher economic conditions ahead. The outlook therefore is for a reduction in returns for 2003.

Prepared Foods Group

Prepared Foods Limited is an abalone marketing company combining the expertise of Ocean Ranch NZ Limited, the processing skills of Prepared Foods Processing Limited and strong market relationships in Asia.

The two major businesses operating in Prepared Foods are based in Palmerston North and focus on the processing and sale of shelf-stable food products for niche markets through long-term customer relationships. The group operates an ISO9001 accredited factory producing shelf-stable products in both cans and pouches. This facility is the leading New Zealand processor of canned paua for sale into Asia and it also specialises in the supply of military-style rations for a number of armed forces throughout the world.

The decline of abalone prices occurring at the end of the 2001 season continued following the events of 11 September that year. The prices bottomed out in December 2001 at a level well below that enjoyed a year earlier, and since then only slowly improved through to the end of the financial year. However, as the majority of the product is typically sold during the four months to January, the lower prices through to December 2001 meant that the result for 2002 was down on 2001, a record year.

The sales of non-abalone products such as canned meat and military rations were similar to 2001, but the product mix differed with a greater proportion of canned meats being produced in 2002. This change in product mix arose principally from a lower demand for military product arising from the anticipated withdrawal of Australasian forces from East Timor. This meant that the return from the non-abalone business was down on 2001.

Efforts to improve manufacturing processes, quality systems and product development continued in 2002 with the aim of enhancing the company's reputation as a customer-focused processor of high-specification, high-value, stable food products. As part of that process, the company was also restructured to ensure it could quickly and successfully respond to new opportunities for growth. The technology of the company has been reviewed and further improvements are currently being implemented.

Since balance date there have been significant reductions in the total allowable commercial catch for paua. The joint venture has responded aggressively to ensure product supply to our customers. The markets in Asia continue to improve slowly and the result for Prepared Foods in 2003 is expected to be similar to that achieved in 2002. The company will continue to strengthen and foster new strategic relationships in order to build a strong future.

NEW SPECIES

During the 2000/01 year, the Government decided to introduce 50 new species into the Quota Management System (QMS). Through Te Ohu Kai Moana, Maori will have access to 20 percent of the commercial access rights provided for under the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992.

During the 2001/02 year, Te Ohu Kai Moana responded to MFish consultation processes on the introduction of new species into the QMS. These included priorities for introduction between 2002 and 2005, proposals to introduce scampi from October 2002, and kina (North Island), Chatham Island eels, skate, leatherjacket and kingfish in October 2003. The Commission also responded to proposals for sustainability measures for anchovies, garfish, sprats, pilchards, blue mackerel, queen scallops, cockles, paddle crab, butterfish and kina (South Island), which were introduced in October 2002.

As part of the process Te Ohu Kai Moana participated in a Joint Working Group alongside the Seafood Industry Council (SeaFIC) and MFish, to help obtain information on the costs and benefits of introducing new species. SeaFIC and Te Ohu Kai Moana presented information that showed higher costs could result from the introduction of some species – particularly low-valued species caught in association with more high-valued target species.

Clearly, there were significant opportunity cost losses to Maori between 1992 and 2002 and Commissioners continue to maintain that access to commercial fisheries is an urgent priority. At the same time, careful consideration needs to be given to the costs and benefits to ensure the introduction of low value species will not result in higher costs while delivering minimal or no environmental benefit.

ACE ROUNDS

When the QMS was introduced on 1 October 1986 the quota created had two components – the asset and its annual use. This dual nature of quota meant that the annual usage rights could only be made available to users (other than the quota owners) by leasing out the quota.

On 1 October 2001 the two components were separated – into quota shares (the asset) and annual catch entitlements (ACE, the annual use). The two parts were made independently tradeable. ACE is generated from quota shares on the first day of each fishing year and is then bought and sold quite independently of the quota shares from which it was generated. As a result of this legislative change Te Ohu Kai Moana ceased leasing quota

and, from 1 October 2001, has sold ACE as part of its procedures for:

- Facilitating the entry of Maori into, and the development by Maori of, the business and activity of fishing; and
- Providing assistance to Maori

A detailed review of the processes applied in Te Ohu Kai Moana's lease rounds was conducted during the 2001 year as a prelude to the 1 October 2001 legislative change and the first ACE sale round. This review involved two rounds of consultation with Iwi and other Maori groups and two separate considerations by Commissioners of the consultation results.

As a result of the review, previous lease round requirements for Iwi organisation accountability to Iwi members were significantly strengthened for ACE rounds and, as part of that strengthening, Commissioners decided to publish in the Commission's Annual Report details of ACE round assistance provided to each Iwi. Except for these points, ACE rounds conducted during the 2001/02 financial year followed the same pattern as previous lease rounds – a conscious decision by the Commission to avoid confusion with allocation discussions.

Te Ohu Kai Moana conducted two ACE rounds during the 2001/02 financial year covering the fishing year which commenced on 1 October 2001 and the fishing years which commenced on 1 February and 1 April 2002. Access was made available for Maori through these rounds to a total of 67,330mt of ACE.

As had previously been the case in lease rounds, charges made to Iwi for ACE made available were substantially lower than the assessed market value of that ACE. The distributions made to Iwi and the prospective level of assistance provided are detailed in Appendix 1. It must be stressed that the levels of assistance indicated in Appendix 1 may not have actually been realised by any Iwi as each is free to use the ACE received in a manner best suited to achieve that Iwi's objectives.

• PROTECTION

COMMERCIAL CUSTOMARY

Overview

The Treaty of Waitangi (Fisheries Claims) Settlement Act 1992 (Section 10 (c)) requires the Minister of Fisheries to recommend the making of regulations that provide for:

- customary food gathering by Maori; and
- the special relationship between tangata whenua and those places, which are of customary food gathering importance.

The provision for customary food gathering is currently undertaken within two separate permitting (or authorisation) systems.

In many cases, customary harvest is still undertaken through the temporary provision known as Regulation 27 of the Fisheries (Amateur Fishing) Regulations 1986. This provision is limited to customary harvest for hui and tangi only. It does not provide for customary use other than hui and tangi nor does it provide for customary management practices.

During the year in review, the Ministry of Fisheries initiated a review of the Regulation 27 provision with one aim being to prevent black marketers from using it as a defence against illegal harvesting. The Commission responded to this review with a submission acknowledging the problems with illegal harvest but also outlining the need for more focused attention on the North and South Island customary regulations [Fisheries (Kaimoana Customary Fishing) Regulations 1998 and the Fisheries (South Island Customary Fishing) Regulations 1999] that were intended to be comprehensive and eventually replace the regulation 27 permitting system.

The Treaty of Waitangi (Fisheries Claims) Settlement Act also requires the Minister of Fisheries to make better provision for Maori participation in the management and conservation of New Zealand's fisheries. However, no progress has been made with correcting the problems with the Customary Regulations since last year's report. The Ministry of Fisheries capacity to implement these regulations has drastically declined from the original six full-time staff to one full-time staff member and a part-timer.

In the meantime, the Ministry of Fisheries initiated a project called the Treaty Strategy, which is aimed at building relationships with tangata whenua. How this will address the lack of progress with implementation of the Customary Regulations is yet to become apparent.

In the meantime, the Commission has facilitated the integration of all sectors of the fishing community in the development of a Fish Plan. Unfortunately, it has become apparent that the Ministry of Fisheries now expects proponents of Fish Plans to comply with standards and specification that have not yet been written. The Ministry of Fisheries has failed to complete the Fisheries Plan Framework and, as a result, the Commission is reluctant to engage in any further case studies intended for official sign-off with the Minister of Fisheries at this stage. There may, however, be merit in continuing planned

PROVISIONS ESTABLISHED	NORTH ISLAND		SOUTH ISLAND	
	Total	Year Ending 30/09/2002	Total	Year Ending 30/09/2002
Rohe Moana	6	2	19	0
Kaitiaki	30	7	106	0
Disputed Notifications*	rohe moana 85	kaitiaki 227	rohe moana 37	kaitiaki **
Mataitai Reserves	0	0	2	0
Mataitai By-laws	0	0	6	0
Taiapure	6	0	1	1
Taiapure Committees	5	0	1	0
Taiapure Regulations	0	0	0	0
186A/B's	2	1	0	1
Other 186 Regulations	1	0	0	0

(Source: Ministry of Fisheries ** indicates no information available)

* Disputed Notifications are defined as those notifications that have been submitted against. The criteria for making a submission require that submission must be from an "authorised representative" of the tangata whenua that claim to hold mana whenua manamoana over all or part of the notified area/rohe moana. Disputes may be in relation to i) who are tangata whenua; or ii) who should be the Kaitiaki; or iii) the boundaries for the area/rohe moana concerned

and co-ordinated agreements with the sector groups directly and this is being investigated.

Marine Mammals

Te Ohu Kai Moana continues to offer policy advice and research into traditional uses of marine mammals. Such work is in keeping with the mandate given by Iwi at a 1997 Hui-A-Iwi in Kaikoura. The mandate is to promote the customary rights of hapu and Iwi to sustainably utilise marine mammals in New Zealand and encourage recognition of traditional knowledge of indigenous peoples.

World Council of Whalers' Conference

Te Ohu Kai Moana supports the rights of indigenous peoples to sustainably utilise marine mammals according to their customary traditions. This support includes participation at the World Council of Whalers (WCW) – an international, non-governmental organisation that includes whale users, both aboriginal and non-aboriginal.

In September 2003, the WCW held the 4th General Assembly in Torshavn, Faroe Islands. Te Ohu Kai Moana sponsored a delegation of marine mammal experts to attend the general assembly. The delegation provided presentations on the following issues:

- Proposed Iwi Maori Marine Mammals Strategy,
- Human Health and Whale Products – Mercury levels in Aotearoa / New Zealand Whales,
- Managing Whaling for the Future: Local, Regional and Global Approaches,
- Management in practise: “How are whaling communities involved in decision-making, and
- The Economics of Whaling: Trade in Whale Products for a Sustainable Future

Presentations made by the delegation were well supported by all members of the WCW. As a result of these presentations the WCW passed two resolutions, which supported the efforts of Iwi Maori. These resolutions were that the WCW 4th General Assembly:

- Strongly supports the efforts of Maori to seek changes in domestic regulations and the Convention on the International Trade in Endangered Species (CITES) listings to enable them to trade in artworks and artefacts made from marine mammal products, where such trade will represent no unreasonable threat to relevant local wild life populations or species; and
- Recommends that the United Nations Environment Program (UNEP) and World Health Organisation (WHO) continue to direct resources toward the development and conclusion of international agreements aimed at ensuring the natural environment provides a safe source of food to sustain and enhance human health, economies and cultural diversity.

Te Ohu Kai Moana will continue to seek changes to national and international legislation to enable Iwi/Maori to sustainably utilise marine mammals in accordance with their customary traditions.

Foreshore and Seabed

Te Ohu Kai Moana has continued to support Iwi gaining recognition of their customary rights to coastal areas. This has involved assisting Iwi in the Marlborough Sounds and Hauraki to participate in the coastal permitting process and to apply to the Maori Land Court for customary title to foreshore and seabed.

In the first instance the Marlborough Sounds case was an application to the Maori Land Court for customary title to the foreshore and seabed. The Maori Land Court found that it held the jurisdiction to determine title to the foreshore and seabed and that there had been no blanket extinguishment of customary title by the Crown. This finding was appealed to the Maori Appellate Court.

The Maori Appellate Court agreed to state a case to the High Court and the matter was heard before Justice Ellis in June 2001. The Court was asked to answer certain questions that would help the Maori Appellate Court determine whether the Maori Land Court can investigate Maori claims to the foreshore and seabed. In answer to the questions put to him, his Honour found that:

- the Maori Land Court has the jurisdiction to determine whether or not any land down to low water mark is or is not Maori customary land;
- New Zealand law recognises Maori customary title to foreshore that borders on dry land, which is owned by Maori according to their customs. Once the title to dry land is determined, no further claim to title to the foreshore can be made; and
- New Zealand law does not recognise any Maori customary title to the seabed

This decision by the High Court was appealed by Te Tau Ihu Iwi to the Court of Appeal and heard in July 2002 at Wellington. A full bench of five judges sat to hear the appeal. The Courts decision was reserved and has not yet been released

REFORMS

Oceans

During 2001/02, the Ministerial Advisory Committee on Oceans Policy (MACOP) released its report on the consultation process for Stage One of the Oceans Policy, which aims to develop a vision for the management of our oceans. Te Ohu Kai Moana was pleased to note that the MACOP reflected the issues raised in its submission in their final report – in particular, the significance of the relationship between “tangata whenua and their rights in relation to the Treaty of Waitangi”.

Following receipt of the report, the Government defined a broad vision for oceans management, supported by four goals, which included developing a framework “to allow current and future issues arising in relation to the marine environment to be managed in the context of the overall responsibilities of the Crown as Treaty partner”.

Te Ohu Kai Moana participated in a number of “stakeholder workshops” held to discuss the nature of the process that should be followed for Stage Two of the Oceans Policy, to ensure sufficient provision for Maori involvement.

Aquaculture

Te Ohu Kai Moana has paid considerable attention to aquaculture reforms during 2001/02. In November, the Government announced its policy decisions on the management regime it envisages for aquaculture. This included a decision to impose a moratorium on new marine farm consents while the reforms are implemented. The moratorium affected a number of applications by Iwi and Maori. Te Ohu Kai Moana worked successfully with Iwi to advocate a change in the cut-off date for the moratorium to ensure most of these applications could be processed. Te Ohu Kai Moana also submitted that the Government give greater recognition to Maori interests as part of the reform.

Marine Farming Claim to the Waitangi Tribunal

In July 2002, Ngati Whatua, Ngati Kahungunu, Ngai Tahu, Ngati Koata, Te Ati Awa and Ngati Kuia lodged a claim with the Waitangi Tribunal seeking

recognition of their interests in the coastal marine area, including an interest in aquaculture. This was known as the Marine Farming Claim (WAI 953). An application was put forward to have the Waitangi Tribunal hear the claim as a matter of urgency. The hearing was expected to take place in November 2002 before Judge Caren Wickliffe (Presiding Officer), John Clark (Tribunal Member) and Dame Margaret Bazley (Tribunal Officer).

The Commission participated in the claim as an interested party.

Claimants put forward the view that the Government failed to have regard to Iwi interests in the coastal marine area within the aquaculture reforms. Te Ohu Kai Moana agreed to participate in the claim as an interested party on the basis that it was consistent with Te Ohu Kai Moana policy regarding assisting Maori into the business and activity of fishing, and securing Maori rights to the foreshore and seabed. The Tribunal granted an urgent hearing, with the hearing set for October 2002.

Marine Reserves

During the year in review, the Department of Conservation continued the reform of the Marine Reserves Act 1971 despite concerns from Te Ohu Kai Moana and other organisations that the Oceans Policy and the Marine Protected Areas Strategy have not been completed to a satisfactory point. The Commission has indicated that reform of the marine environment must be consistent with the principles of the Treaty of Waitangi and the Fisheries Settlement. There are fears reforms may negatively impact upon the Treaty of Waitangi (Fisheries Claims) Settlement Act and the compensation provided therein. To date, the Commission has no confidence that these matters are being treated with due diligence.

In addition, New Zealand has made commitments to the Biodiversity Strategy and the Convention on Biological Diversity. These instruments are inconsistent with the way that this reform has been taking place. The Commission will continue to maintain a vigilant watch on reforms regarding Marine Reserves, which appears to be a significant threat to the integrity of the Fisheries Settlement.

Consistent with our approach of co-operative management on such matters, the Commission has initiated the development of a Maori Fisheries Policy Forum to ensure that Iwi are kept properly informed about the number and severity of reforms that are currently underway in the marine environment, particularly those that have the potential to erode the Settlement. The inaugural meeting of the Policy Forum took place on 19 September 2002. In addition, the Commission continues to develop working relationships with other sectors of the fishing community to ensure the best possible outcome for all.

FISHERIES MANAGEMENT

General

Only peripheral changes were made to the fisheries management regime during the 2001/02 financial year. No additional species were introduced into the QMS for the October 2001 year and only the Coromandel scallop fishery was added to the QMS for the April 2002 year. However, Te Ohu Kai Moana

staff put a considerable effort into discussing with Ministry of Fisheries (MFish) officials their proposals for introducing possibly a further 50 species into the QMS over the 2002-04 period.

While such QMS entry would enable the Crown to nominally discharge its responsibilities to Maori under the 1992 Deed of Settlement, many of the species proposed by MFish for entry are of low or little commercial value or are taken as bycatch in other commercial fisheries. Maori effectively already have access to bycatch species without the need for such species to enter the QMS. In addition QMS entry for low value species can impose considerable administrative cost and complexity for few commercial gains. These issues have loomed large in Te Ohu Kai Moana's consideration of the MFish QMS entry proposals.

Te Ohu Kai Moana and selected representatives have continued to take a full part in the fisheries management processes conducted by MFish each year (stock assessment, research planning and cost recovery); in the conservation services discussions convened by the Department of Conservation, and in a wide variety of more generalised fisheries, oceans and coastal waters utilisation debates. In addition, Te Ohu Kai Moana is represented on the majority of commercial fishing industry organisations and takes an active, and often leading, role in encouraging those bodies to manage "their" fisheries.

ACE and New Computer Systems

The new computer systems for operating the QMS were introduced accurately and on time on 1 October 2001 and congratulations were extended by Te Ohu Kai Moana to Commercial Fisheries Services Ltd (FishServe), the industry company concerned, for its success. Preparations by FishServe included placing considerable emphasis on training all potential users, including Te Ohu Kai Moana and Iwi staff, in the new systems prior to start-up and few subsequent problems arose.

The new systems are now well bedded down and appear to have been fully accepted by Iwi and Maori fishing operations.

Crown Cost Recovery Levies

Authority for the Crown to recover from the commercial fishing industry costs associated with the provision of fisheries and conservation services was first included in the Fisheries Act 1983 in 1994 and took effect from 1 October of that year. Since then cost recovery issues have seldom been off industry and political agendas. They have been the subject of a Primary Production Select Committee Inquiry during 1997 and 1998, part of an Independent Review of the Fisheries Act in 1998 and the subject of a Joint Working Party Report to Ministers on Cost Recovery Rules in 1999, and of annual submissions on the fairness or otherwise of various proposals for fisheries or conservation services.

Over the past eight years several threads of industry complaint have been reiterated –

- *Conservation Services* - The lack of any strategic plan; a lack of accountability and timely reporting; inclusion in required services of

protected species population studies not designed to assess the effects on those populations of commercial fishing in New Zealand waters; and imposition of observer requirements without an assessment of the continued need;

- *Fisheries* – No allowance being made in early years' charges for deemed values paid by the industry; and the continuing lack of adjustment for over- and under-recovery of levies paid.

In desperation at the lack of action on the Conservation Services issues, a formal complaint was laid by the New Zealand Seafood Industry Council (SeaFIC) and Te Ohu Kai Moana with the Office of the Auditor-General (OAG). An investigation was undertaken by the OAG but the report on that investigation was not available until December 2002. Te Ohu Kai Moana is pleased to note that many of the issues of longstanding concern are canvassed in that report and that the Department of Conservation has initiated processes to deal with the recommendations made by the OAG.

After several false starts and also separate investigations by MFish, a joint industry/Te Ohu Kai Moana/MFish team was established to identify over- and under-recoveries during the period 1 October 1994 to 30 September 2002 and to recommend by December 2002 how the results of their investigations should be applied. That report was not available during the year under review.

Further action in both areas will be required in the 2002/03 year.

Judicial Review Action on Seamounts

In September 2000 the Minister of Fisheries, the Hon Pete Hodgson, announced his intention of closing to commercial bottom trawling 19 underwater features in various parts of the New Zealand Exclusive Economic Zone. In November 2002 that proposal was extended to include the midwater trawling method. The actual closures were implemented by regulations in May 2002. The closures were intended to protect allegedly unique benthic fauna on each individual feature from the effects of trawl fishing gear.

The underwater features concerned are all in deeper waters and the closures primarily affect fishing activities for bottom-dwelling fish species such as orange roughy and oreos. The inclusion of the midwater trawling method in the closure regulations though also impacts on fishing for a number of species such as hoki, bluenose, alphonsino and black cardinal fish.

Since the closures there have been on-going discussions between the Orange Roughy Management Co Ltd, on behalf of the industry and Maori, and the Crown on

- the legality and purposes of the closures;
- the appropriateness of the closures in light of the still developing Oceans Policy;
- the incompleteness of the seamounts "policy" followed by the Minister in making his closure decisions; and
- the economic impacts of the closures.

Very little progress has been made in any of the discussions over the past 18 months and shareholders of the Orange Roughy Management Company, including Te Ohu Kai Moana, have now instituted judicial review proceedings of the Minister's closure decision.

LEGAL

Some substantive proceedings against the Commission remain active and lodged before the court. These are proceedings relating to the allocation of PRESA and have been before the courts since 1995. However, none have proceeded to trial in the past year.

These proceedings were brought by a number of parties that oppose the proposed Optimum Method of Allocation developed by the Commission 1998 for PRESA. The claimants contended that the proposed model and the process used to reach the proposed model were flawed.

The hearing of the substantive allocation proceedings was adjourned pending the outcome of the preliminary question proceedings on the meaning of "Iwi". As those proceedings have now been determined with finality, the substantive proceedings can now be reactivated. Both the Commission and parties to the substantive proceedings have sought to resolve their issues through the use of alternative dispute resolution options. However, the Optimum Method of Allocation is no longer the proposed model, and has been superseded by proposals put forward in *Ahu Whakamua* (See "Allocation").

MAORI AUTHORITIES TAX REVIEW

During the course of the year, Te Ohu Kai Moana was involved in the preparation and delivery of submissions on the Government's proposed modifications to the taxation of Maori organisations. The Bill that is now before the House has a number of elements for which Te Ohu Kai Moana strongly advocated, in particular the proposal to ensure that entities that receive assets as part of the allocation of the fisheries settlement will fall within the definition of a Maori Authority.

This will ensure that those Maori organisations will in future be taxed at a rate currently proposed to be 19.5 percent. Should the beneficiaries of those entities be taxed at a lower rate, then on receipt of a distribution those beneficiaries will be eligible to receive a refund of the surplus tax paid by the Maori Authority. In the past, tax paid by the Maori Authority has generally been unable to be passed on to beneficiaries and the income when distributed has been subject to an additional tax. The draft legislation will come into effect from the 2004/05 tax year. Te Ohu Kai Moana will, in association with other Maori organisations, continue to monitor the progress of the Bill through the house.

• SKILLS

TRAINING AND DEVELOPMENT

The training and development needs of Iwi and Maori in the seafood sector are wide, diverse and complex. Te Ohu Kai Moana continues to develop and implement training and development strategies to ensure Maori are on an equal footing when it comes to skills development for the industry.

The 2002 scholarship programme provided financial assistance to Maori to undertake training and studies in the following streams of learning:

- Tertiary-level courses leading to a range of professional and scientific qualifications;
- Management courses leading towards skills and qualifications that would assist in the development of Iwi commercial fisheries resources; and
- Technical training courses that develop skills to obtain seafood processing, deep-sea fishing and statutory marine qualifications.

In addition, Te Ohu Kai Moana successfully introduced a range of new initiatives that enhanced the existing scholarship programme and broadened the current range of training and study opportunities.

Tertiary-level courses

Forty-five students were supported to complete a range of qualifications from food technology through to marine biology and aquaculture. Six of these students were completing doctorate studies with the remainder of students in this category completing diplomas, undergraduate and masters qualifications.

Te Ohu Kai Moana students are attending learning institutions throughout New Zealand as well as overseas. The prestigious schools of the Australian Maritime College in Tasmania and the University of Tasmania have since 1994 had a small but consistent number of Te Ohu Kai Moana-sponsored students enter and successfully complete high-level qualifications that are sought after in the fishing industry. For 2002, two students completed a range of qualifications through these two learning institutions.

Management Courses

The co-sponsorship policy with Iwi for all management scholarships has been in operation since 1997. Te Ohu Kai Moana matches the financial contribution from individual Iwi up to and including a maximum of \$5000.

Sixteen students received management scholarships throughout the year. One student is completing a doctorate in Human Resource Management while the remaining students are completing a range of management qualifications from Diplomas through to Masters in Business Administration.

Technical Training

Eighteen students attended courses in seafood processing and deep-sea fishing at the Westport Deepsea Fishing School. Te Ohu Kai Moana was also able to establish a formal relationship with the Bay of Plenty Polytechnic and local Iwi to support Maori on their maritime and marine study programmes. Thirty-two students attended these two programmes at the Tauranga polytechnic.

A further 21 scholarships were awarded to Maori to successfully complete statutory marine qualifications from deckhand certificates and engineering qualifications through to local launch masters certificates, mates and skippers qualifications.

After a seven-year association with Aoraki Polytechnic's seafood processing school in Timaru, the school was closed during the financial year. Te Ohu Kai Moana had supported many Maori rangatahi through this programme who continued on to careers in the fishing industry. Te Ohu Kai Moana acknowledges the founders of that programme, Ray and Colleen Brokenshire, for their commitment during those years to Maori rangatahi development.

New Initiatives

Following on from the relationship agreement formed with the Bay of Plenty Polytechnic, Te Ohu Kai Moana undertook to review, revamp and conduct the Sea and Learn programme.

In conjunction with the National Institute of Water and Atmospheric Research (NIWA), 38 Maori secondary school students undertook this training. The programme consists of two components and was developed to encourage students into tertiary science studies beyond secondary school. The first component consists of a pre-course and safety standards brief when at sea, and the second a day trip on the NIWA science vessel Kaharoa. While on board, the students participate in a range of explorations and trawls.

Conference for Te Ohu Kai Moana sponsored students

The annual students' conference was held in Wellington in November 2001. One hundred and thirty students attended this two-day conference, which focuses on careers in the fishing industry.

Through out the year, 13 Te Ohu Kai Moana students attended other conferences throughout New Zealand and overseas that related to their areas of studies.

Strategic Relationships

Te Ohu Kai Moana has continued to forge key relationships with organisations to enhance and consolidate access for Maori to high quality training and sustainable funding. The relationships include:

- The renewal of the partnership agreement between Te Ohu Kai Moana and the Seafood Industry Training Organisation (SITO);
- An invitation and acceptance by the membership of the Industry Training Federation to be a board member on their executive. This organisation is the umbrella for more than 40 Industry Training Organisations throughout New Zealand and provides strategic industry educational advice to its members and government agencies, including Ministry of Education, SkillNZ, Te Puni Kokiri, Tertiary Education Commission and the New Zealand Qualifications Authority;
- The development of the Global Fisheries Programme. This is an international 12-month business training venture in Japan with the co-owner of Sealord Group Limited, Nippon Suisan Kaisha, Limited (Nissui).

This is the most prestigious scholarship offered by Te Ohu Kai Moana and is awarded to two Maori each year. The recipients of this scholarship undertake an intensive programme of study and high-level work experience in specialist areas at Nissui. At the completion of the scholarships, the recipients will return to New Zealand to apply their skills within the Te Ohu Kai Moana Group of subsidiaries and with Iwi fishing companies. The inaugural recipients were selected in September 2001 and conducted Japanese language training in December 2001 before commencing in Japan in February 2002.

- He Ture Pumau scholarship is a joint venture with Fletcher Vautier Moore Barristers and Solicitors, a Nelson-based legal firm that specialise in fisheries and maritime law. The scholarship is to support a Maori law graduate or new lawyer to gain high-level qualifications in fisheries and maritime law. At the end of their training, they will be seconded to Te Ohu Kai Moana and Fletcher Vautier Moore Barristers and Solicitors for 12 months. Four scholarships are to be awarded over the next four years. The first recipient began training in February 2002.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

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TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2002

	NOTES	GROUP		COMMISSION	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
OPERATING REVENUE	2	165,315	308,930	13,284	25,629
Operating surplus before taxation		23,038	45,447	2,772	15,977
Taxation	5	6,218	8,252	1,538	375
Net surplus after taxation		16,820	37,195	1,234	15,602
Tax paid surplus/(loss) attributable to minority shareholders		(249)	496	-	-
Share of Associate Companies surplus/(loss)	12	3,112	(542)	-	-
NET SURPLUS		19,683	37,149	1,234	15,602

The notes on pages 40 to 65 form part of and are to be read in conjunction with these financial statements

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

STATEMENTS OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2002

	NOTES	GROUP		COMMISSION	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Accumulated Funds as at 1 October 2001	6	450,551	413,570	372,217	357,625
Minority Interest		6,459	6,505	-	-
Total Equity as at 1 October		457,010	420,075	372,217	357,625
Net surplus for year		19,683	37,149	1,234	15,602
Movement in Foreign Currency Translation Reserve		33	260	-	-
Total Recognised Revenue and Expenses for the Year		19,716	37,409	1,234	15,602
Movement in Minority Interest		(299)	(536)	-	-
Distributions to Te Ohu Kai Moana Charitable Trust	24	1,096	1,010	1,096	1,010
		797	474	1,096	1,010
EQUITY AS AT 30 SEPTEMBER 2002	6	475,929	457,010	372,355	372,217

The notes on pages 40 to 65 form part of and are to be read in conjunction with these financial statements


TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2002

	Note	GROUP		COMMISSION	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
EQUITY					
Accumulated Funds	6	468,642	450,551	372,355	372,217
Minority Interest in Subsidiaries		7,287	6,459	-	-
TOTAL EQUITY	6	475,929	457,010	372,355	372,217
<i>Represented by:</i>					
CURRENT ASSETS					
Cash and Bank Balances		14,910	9,571	9,799	4,732
Financial Investments	7	74,722	76,999	74,722	76,999
Accounts Receivable and Prepayments	8	14,820	13,737	758	2,800
Inventories	10	8,324	9,893	-	-
Taxation Refund Due		1,685	(643)	(205)	499
Total Current Assets		114,461	109,557	85,074	85,030
NON-CURRENT ASSETS					
Fixed Assets	9	15,797	13,633	253	258
Investments in Subsidiaries	11	-	-	188,153	189,602
Investments in Associates	12	174,102	170,990	-	-
Other Investments	13	3,589	1,637	3,581	1,637
Long Term Assets	14	241,120	237,778	100,703	100,703
Total Non-Current Assets		434,608	424,038	292,690	292,200
TOTAL ASSETS		549,069	533,595	377,764	377,230
CURRENT LIABILITIES					
Bank Overdraft and Short Term Borrowings		11,518	2,059	-	-
Accounts Payable and Accruals	15	17,964	16,096	5,409	5,013
Long Term Borrowings – Current portion	16	650	51,121	-	-
Total Current Liabilities		30,132	69,276	5,409	5,013
NON-CURRENT LIABILITIES					
Long Term Borrowings	16	42,625	11,275	-	-
Deferred Taxation	5	383	(3,966)	-	-
Total Non-Current Liabilities		43,008	7,309	-	-
TOTAL LIABILITIES		73,140	76,585	5,409	5,013
NET ASSETS		475,929	457,010	372,355	372,217

For, and on behalf of, the Commissioners


Shane Jones
CHAIRMAN


Craig Ellison
DEPUTY CHAIR

The notes on pages 40 to 65 form part of and are to be read in conjunction with these financial statements

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2002

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
CASH FLOW FROM OPERATING ACTIVITIES				
Cash was provided from:				
Dividends received	5,048	3,255	-	10,000
Funds held in trust	1,514	1,764	1,514	1,764
Interest received	6,075	5,371	5,090	4,556
Receipts from customers	154,352	282,798	8,205	5,943
	<u>166,989</u>	<u>293,188</u>	<u>14,809</u>	<u>22,263</u>
Cash was applied to:				
Interest paid	3,916	9,474	8	-
Payments to suppliers and employees	144,781	268,082	11,010	9,850
Funds held on trust	1,035	1,690	1,035	1,690
Taxation paid	4,390	3,718	835	-
	<u>154,122</u>	<u>282,964</u>	<u>12,888</u>	<u>11,540</u>
Net Cash Flow from Operating Activities	12,867	10,224	1,921	10,723
CASH FLOW FROM INVESTING ACTIVITIES				
Cash was provided from:				
Net Proceeds from other investments	-	10,368	-	-
Sale of quota	-	3,185	-	-
Sale of fixed assets	86	958	-	-
	<u>86</u>	<u>14,511</u>	<u>-</u>	<u>-</u>
Cash was applied to:				
Purchase of Government Stock and other Term Investments	4,113	17,111	4,113	17,111
Purchase of quota	2,932	2,702	-	-
Purchase of fixed assets	2,342	4,071	116	172
Purchase of other assets	2,348	5,023	1,943	-
	<u>11,735</u>	<u>28,907</u>	<u>6,172</u>	<u>17,283</u>
Net Cash Used in Investing Activities	(11,649)	(14,396)	(6,172)	(17,283)

The notes on pages 40 to 65 form part of and are to be read in conjunction with these financial statements

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided from:				
Shares Issued to Minority Interest	-	1,270	-	-
Bank Loans	46,050	3,100	-	-
Repayment of Advances from Subsidiaries	-	-	3,942	12,420
	<u>46,050</u>	<u>4,370</u>	<u>3,942</u>	<u>12,420</u>
Cash was applied to:				
Distributions paid to Charitable Trust	1,096	1,010	1,096	1,010
Repayment of loans and advances	56,764	3,251	-	-
	<u>57,860</u>	<u>4,261</u>	<u>1,096</u>	<u>1,010</u>
Net Cash Flow from Financing Activities	<u>(11,810)</u>	<u>109</u>	<u>2,846</u>	<u>11,410</u>
NET (DECREASE)/INCR EASE IN CASH HELD	(10,593)	(4,063)	(1,405)	4,850
Opening Cash Brought Forward	61,569	40,001	58,789	53,939
Exchange Rate changes on opening balance	-	(140)	-	-
Adjustment on disposition of joint venture	-	25,771	-	-
CLOSING CASH HELD	<u>50,976</u>	<u>61,569</u>	<u>57,384</u>	<u>58,789</u>
Represented by:				
Cash and bank balances	14,910	9,571	9,799	4,732
Liquid financial investments	47,963	54,482	47,963	54,482
Bank overdraft and short term borrowings	(11,518)	(2,059)	-	-
Interest accrued but not received	(379)	(425)	(378)	(425)
	<u>50,976</u>	<u>61,569</u>	<u>57,384</u>	<u>58,789</u>

The notes on pages 40 to 65 form part of and are to be read in conjunction with these financial statements

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

RECONCILIATION OF NET SURPLUS AFTER TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
OPERATING SURPLUS AFTER TAXATION	16,820	37,195	1,234	15,602
Non-cash Items:				
Depreciation	2,546	5,326	119	83
Unrealised Foreign Exchange (gains) or losses	(9,022)	(4,336)	-	-
Gain on sale of quota	-	(129)	-	(1,279)
Decrease in deferred taxation	4,349	4,358	-	-
Other	74	(3,803)	3	-
	<u>(2,053)</u>	<u>1,416</u>	<u>122</u>	<u>(1,196)</u>
Movements in Working Capital Items:				
(Increase)/Decrease in				
accounts receivables & prepayments	(748)	29,699	(338)	(1,893)
(Increase)/Decrease in accrued interest	(17)	(283)	(17)	(384)
(Increase)/Decrease in inventories	1,606	43,245	-	-
Increase/(Decrease) in tax payable	(2,329)	3,250	704	374
Increase/(Decrease) in				
accounts payable & accruals	(1,367)	(16,463)	423	(1,828)
Adjustment on disposition on joint venture	-	(76,372)	-	-
	<u>(2,855)</u>	<u>(16,924)</u>	<u>772</u>	<u>(3,731)</u>
Items classified as Investing and Financing Activities:				
Facility fees	631	860	-	-
Proceeds from investments	-	(10,639)	-	-
Sale of Quota	-	(1,762)	-	-
Funds held in trust	479	74	479	74
Other	(155)	4	(470)	(26)
	<u>955</u>	<u>(11,463)</u>	<u>9</u>	<u>48</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>12,867</u>	<u>10,224</u>	<u>2,137</u>	<u>10,723</u>

The notes on pages 40 to 65 form part of and are to be read in conjunction with these financial statements

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Treaty of Waitangi Fisheries Commission ("Te Ohu Kai Moana") is a body corporate established on 20 December, 1989 by an Act of Parliament with the following objectives:

- a To make better provision for the recognition of Maori fishing rights secured by the Treaty of Waitangi; and
- b To facilitate the entry of Maori into, and the development by Maori of, the business and activity of fishing.

The above Act was amended on 14 December 1992 by the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992. Under the terms of this Act the Commission was reconstituted from the Maori Fisheries Commission to Te Ohu Kai Moana.

Te Ohu Kai Moana holds its assets in accordance with the Maori Fisheries Act 1989 as amended by the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992. The Maori Fisheries Act 1989 (as amended) contemplates that certain assets may be allocated to Iwi at a future date.

The Deed of Settlement entered into at the same time as the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992 provides for the transfer to Te Ohu Kai Moana of 20 percent of all new individually transferable quota entered onto the Quota Management system.

Te Ohu Kai Moana, its subsidiaries, associates, and joint venture comprise Te Ohu Kai Moana Group.

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice as required by the Institute of Chartered Accountants of New Zealand.

MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of results, cash flows and the financial position under the historical cost method as modified by the revaluation of certain assets have been followed in the preparation of these financial statements.

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies, which materially affect the measurement of results and the financial position, have been applied:

(i) BASIS OF CONSOLIDATION

The consolidated financial statements comprise Te Ohu Kai Moana and its subsidiary companies, accounted for using the purchase method of consolidation. All significant transactions between the group entities have been eliminated on consolidation.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

Associated companies are companies in which Te Ohu Kai Moana Group holds substantial shareholdings and in whose commercial and financial policy decisions it participates. Associate companies have been reflected in the consolidated financial statements on an equity accounting basis, which shows Te Ohu Kai Moana Group's share of retained surpluses in the consolidated statement of performance, and its share of post acquisition increases or decreases in net assets in the consolidated statements of financial position.

The consolidation of the joint venture has been performed by combining on a line by line basis, the Group's share of assets, liabilities, revenue and expenses.

(ii) ACCOUNTING PERIOD

The period covered by these financial statements is the year ended 30 September 2002 except for Te Waka Unua Limited, its subsidiaries and associated companies, whose results cover the year ended 30 June 2002.

(iii) TAXATION

Income tax has been provided on the surplus for the period after making appropriate adjustments for non-assessable and non-deductible items. Deferred tax is provided using the liability method, on a comprehensive basis, on all material items of income and expenditure that are taxed in periods different to those in which they are recognised for accounting purposes. Deferred income tax benefits are recognised only to the extent that there is virtual certainty of recovery in future periods.

(iv) GST

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable, which are stated inclusive of GST.

(v) INVESTMENTS

Investments have been accounted for as follows:

Investments in subsidiaries, shares or investments in associates by Te Ohu Kai Moana, the parent company, are stated in the accounts at cost.

Investments in Government Stock are recorded on a yield to maturity basis, other financial investments are recorded at cost plus accrued interest.

Other investments are stated at the lower of cost and net realisable value. Dividend income is recognised in the statements of financial performance when received.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

(vi) INDIVIDUALLY TRANSFERABLE QUOTA

Quota transferred from the Crown to Te Ohu Kai Moana is recorded at the equivalent value determined by the Crown on each transfer date. Quota purchased by the group is recorded at cost. Quota is not depreciated.

(vii) MARINE FARM LEASES AND LICENCES

Marine Farm Leases and Licences are recorded at cost and represent assignments of leases and licences granted pursuant to the Marine Farming Act 1971 (MFA). These are not amortised as the values in the financial statements reflect fair value for these assets. These leases and licences have a maximum term of 14 years.

(viii) FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation. Gains and losses on disposal of fixed assets are taken into account in determining the operating result for the year.

Depreciation is provided on all tangible fixed assets, except freehold land and capital work in progress, at rates calculated to allocate the cost less estimated residual value, over their estimated useful lives.

Major depreciation periods are:

Buildings	20-50 years
Plant and Machinery	3-10 years
Vessels	3-25 years
Furniture and Equipment	2-10 years
Motor Vehicles	5 years
Marine Farm Structures	14 years

The capital element of costs incurred during vessel class surveys are capitalised and amortised over the period until the next class survey is due (4-5 years). Marine Farm Structures include long lines and associated equipment.

(ix) FOREIGN CURRENCIES

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction or at hedge rates where currency hedges are in place.

Foreign currency monetary assets and liabilities which are not subject to specific hedge transactions are translated at the closing rate and exchange variations arising from these translations are included in the statements of financial performance as operating items.

Foreign currency forward contracts and options entered into to hedge future receipts are not recognised in the financial statements and any gains or losses compared to spot rates at balance date are deferred.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

Foreign currency non-monetary assets are translated at the rate prevailing at the date of purchase except to the extent that specific non-monetary assets are denominated as hedges and matched against specific monetary foreign currency liabilities. In this case both the non-monetary asset and the monetary liability are revalued to the closing rate. To the extent that the exchange difference on the foreign currency liabilities is not offset by the exchange difference arising on foreign currency assets the difference is recognised in the statements of financial performance.

(x) ACCOUNTS RECEIVABLE

Accounts receivable are valued at their estimated realisable value.

(xi) INVENTORIES

Inventories are predominantly stated at the lower of cost and net realisable value on a first-in first-out basis with a small proportion of selected inventories being valued on a weighted average cost basis.

(xii) LEASES

Group entities have entered into operating leases for certain fixed assets. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are charged to the statements of financial performance in the periods in which they are incurred.

(xiii) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed in the period incurred.

(xiv) INTANGIBLES

Intangibles represent goodwill acquired at the time of acquisition of businesses. Goodwill is amortised over the periods during which benefits are expected to be received.

(xv) EMPLOYEE ENTITLEMENTS

A liability for annual, and long service is accrued and recognised in the statements of financial position. Annual leave has been calculated on an actual entitlement basis at current rates of pay whilst the other provisions have been calculated on an actuarial basis.

(xvi) FINANCIAL INSTRUMENTS

Financial instruments recognised in the statements of financial position include cash and bank balances, investments, receivables, accounts payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

Financial instruments that are designated as hedges of specific items are recognised on the same basis as the underlying hedged items.

Financial instruments that do not constitute hedges are stated at market value and any resultant gain or loss is recognised in the statements of financial performance.

The net differential paid or received on interest swaps is recognised as a component of interest expense or revenue over the period of the agreement.

Premiums paid on interest rate options and net settlements on maturity of forward rate agreements are amortised to the statements of financial performance over the period of the underlying asset or liability.

Forward exchange contracts entered into as hedges of foreign exchange assets or liabilities are valued at exchange rates prevailing at year end. Any unrealised gains or losses are offset against foreign exchange gains and losses on the related asset or liability.

(xvii) CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the last financial report. Accounting policies have been applied on bases consistent with those used in the previous year.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

2. OPERATING REVENUE

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from trading activities	153,664	286,575	7,757	7,371
Dividends	5,048	3,306	-	10,000
Foreign currency exchange gains	28	110	-	-
Interest	5,991	5,789	5,107	6,792
Surplus from the disposal of assets	30	(6)	-	-
Surplus from the disposal of quota	-	1,893	-	1,280
Surplus on disposal of Investments	-	10,640	-	-
Sundry income	554	623	420	186
	165,315	308,930	13,284	25,629

3. OPERATING SURPLUS BEFORE TAXATION

Included in the operating surplus before taxation are the following operating expenses:

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Audit Fees: Audit New Zealand auditing the Financial Statements	35	33	35	33
other services	-	4	-	4
Audit Fees: Other Auditors auditing the Financial Statements	105	94	9	-
other services	51	150	-	-
Bad Debts	212	239	-	-
Movement in Provision for Doubtful Debts	(45)	(245)	-	-
Depreciation - Buildings (Freehold)	154	191	-	-
- Buildings (Leasehold)	75	134	-	-
- Plant and Machinery	1,140	1,738	-	-
- Vessels	100	1,978	-	-
- Furniture and Equipment	398	590	119	66
- Motor vehicles	494	533	-	-
- Capital Work in Progress	7	-	-	-
- Marine Farm Structures	168	161	-	-
Foreign currency exchange losses–Realised	7,036	14,657	-	-
Foreign currency exchange gains–Unrealised	(8,795)	(4,336)	-	-
Interest: Term loans	3,585	8,713	-	-
Other term funding	68	117	-	-
Rental and operating lease costs	1,441	2,505	210	211

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

4. COMMISSIONERS' AND DIRECTORS' REMUNERATION

Commissioners are appointed to Te Ohu Kai Moana by the Governor-General on the advice of the Minister of Maori Affairs. The annual fee paid to Commissioners is approved by the Minister of Finance from time to time. The current annual fee structure has not changed since the appointment of the Commission in 1993. Additional demands on Commissioners' time over and above that covered by the annual fee are met by the payment of consultancy fees. Commissioners are also appointed to represent Te Ohu Kai Moana's interests on various industry bodies and subsidiaries. Remuneration received, or due and receivable by Commissioners and Directors from Te Ohu Kai Moana and its subsidiaries and associates, including joint ventures where Te Ohu Kai Moana does not have a controlling interest, are as follows:

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Annual Commissioner Fees	210	210	210	210
Other Commissioner Remuneration	990	673	990	673
Fees paid to Commissioners as Directors	168	118	-	-
Remuneration paid to Directors who are not Commissioners	400	399	-	-

Remuneration received by individual Commissioners from 1 October 2001 to 30 September 2002 are set out below :

Name of Commissioner	Total Range of Remuneration Received			
	2002		2001	
June Mariu	40,000	49,999	30,000	39,999
June Jackson	70,000	79,999	60,000	69,999
Toro Waaka	80,000	89,999	40,000	49,999
Hon Koro Wetere	80,000	89,999	50,000	59,999
Archie Taiaroa	90,000	99,999	90,000	99,999
Ken Mason	100,000	109,999	50,000	59,999
Naida Glavish	100,000	109,999	70,000	79,999
Mau Solomon	120,000	129,999	110,000	119,999
Rob McLeod	140,000	149,999	70,000	79,999
Shane Jones	220,000	229,999	180,000	189,999
Craig Ellison	270,000	279,999	200,000	209,999

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

5. TAXATION

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Operating surplus before taxation	23,038	45,447	2,772	15,977
Prima facie taxation at 25%	5,759	11,362	693	628
Plus taxation effect of permanent differences	733	(2,857)	1,119	-
Less taxation effect of distributions	(274)	(253)	(274)	(253)
Taxation charge	6,218	8,252	1,538	375
<i>This taxation charge is represented by:</i>				
Current taxation	1,866	10,095	1,538	375
Deferred taxation	4,352	(1,843)	-	-
	6,218	8,252	1,538	375
Deferred taxation				
Opening balance	(3,966)	392	-	-
Deferred portion of current period tax expense	4,352	(1,843)	-	-
Deferred tax adjustment	(3)	(2,515)	-	-
Deferred tax liability/(asset)	383	(3,966)	-	-

Te Ohu Kai Moana is a Maori Authority for taxation purposes. Income tax at 25 percent is levied on the assessable income of Te Ohu Kai Moana. Under current rules the income tax paid on assessable income may be refunded if that income is fully distributed in the subsequent four years. No provision has been made in these financial statements for amounts that may become receivable upon any distribution of assessable income.

Te Ohu Kai Moana, being a Maori Authority, is not required to maintain an imputation credit account, nor can it distribute imputation credits. Credits held in subsidiary companies and available to Te Ohu Kai Moana have not been accrued in these financial statements and only become available to Te Ohu Kai Moana when attached to dividends received by Te Ohu Kai Moana.

The subsidiary companies have imputation credits of \$19.5 million (2001 \$18.1 million) which can be used for imputed dividend payments to Te Ohu Kai Moana. Tax losses of \$6.7 million (2001 \$13.4 million), with a tax effect of \$2.2 million (2001 \$4.4 million) are available to be carried forward. These losses in subsidiaries cannot be utilised directly by Te Ohu Kai Moana.

The deferred taxation balance includes a tax loss benefit of \$0.9 million (2001 \$3.7 million) that has been recognised. Subsequent realisation of these benefits is subject to the requirements of relevant tax legislation continuing to be met.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

6. ACCUMULATED FUNDS

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Retained Earnings	184,897	166,841	91,593	91,455
Crown Payment	158,005	158,005	158,005	158,005
Quota Capital - Cash	22,085	22,085	22,085	22,085
Quota Capital - ITQ	97,363	97,363	97,363	97,363
Compensation for TACC Reductions	3,309	3,309	3,309	3,309
Capital Reserve	2,937	2,937	-	-
Other Reserves	46	11	-	-
ACCUMULATED FUNDS	468,642	450,551	372,355	372,217
Minority Interest	7,287	6,459	-	-
TOTAL EQUITY	475,929	457,010	372,355	372,217

The capital reserve represents the non-distributable profit created by the capitalisation of post acquisition profits in Moana Pacific Fisheries Limited by means of a bonus share issue.

7. FINANCIAL INVESTMENTS

	Effective Interest Rate % pa	GROUP		COMMISSION	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Liquid Financial Investments	6.0	47,963	54,482	47,963	54,482
Government Stock	6.0	8,205	8,214	8,205	8,214
Other Term Investments	6.9	18,554	14,303	18,554	14,303
		74,722	76,999	74,722	76,999

Liquid financial investments are normally held for 90 days or less, and are readily convertible to cash within 48 hours. Government Stock is normally held until maturity. Other term investments include Fixed Rate Bonds and Floating Rate Notes.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade receivables	9,191	9,861	253	856
Prepayments	2,222	2,161	-	-
Other receivables	3,407	1,715	505	1,944
	<u>14,820</u>	<u>13,737</u>	<u>758</u>	<u>2,800</u>

9. FIXED ASSETS

	GROUP 2002			GROUP 2001		
	Cost \$'000	Accum Depn \$'000	Book Value \$'000	Cost \$'000	Accum Depn \$'000	Book Value \$'000
Land	4,449	-	4,449	1,362	-	1,362
Buildings (Freehold)	3,657	1,007	2,650	3,714	893	2,821
Buildings (Leasehold)	1,629	461	1,168	1,378	417	961
Plant and Machinery	12,178	8,575	3,603	11,686	7,620	4,066
Vessels	1,512	1,071	441	1,517	986	531
Furniture and Equipment	3,387	2,525	862	3,079	2,222	857
Motor Vehicles	4,598	3,847	751	4,794	3,555	1,239
Capital Work in Progress	455	7	448	198	-	198
Marine Farm Structures	2,407	982	1,425	1,808	210	1,598
TOTAL	<u>34,272</u>	<u>18,475</u>	<u>15,797</u>	<u>29,536</u>	<u>15,903</u>	<u>13,633</u>

	COMMISSION 2002			COMMISSION 2001		
	Cost \$'000	Accum Depn \$'000	Book Value \$'000	Cost \$'000	Accum Depn \$'000	Book Value \$'000
Furniture & Equipment	895	642	253	814	556	258

The latest Government valuation of land and buildings held by the Group is \$7.3 million (2001 \$7.4 million).

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

10. INVENTORIES

	GROUP	
	2002	2001
	\$'000	\$'000
Raw materials	740	593
Finished goods	6,475	8,272
Packaging materials and fish bins	1,109	1,028
	<u>8,324</u>	<u>9,893</u>

11. INVESTMENTS IN SUBSIDIARIES

The significant subsidiaries, joint ventures and associated companies of Te Ohu Kai Moana Group are detailed in the diagram below. The diagram sets out the ownership structure of each of the entities and shows the percentage of equity held by Te Ohu Kai Moana.

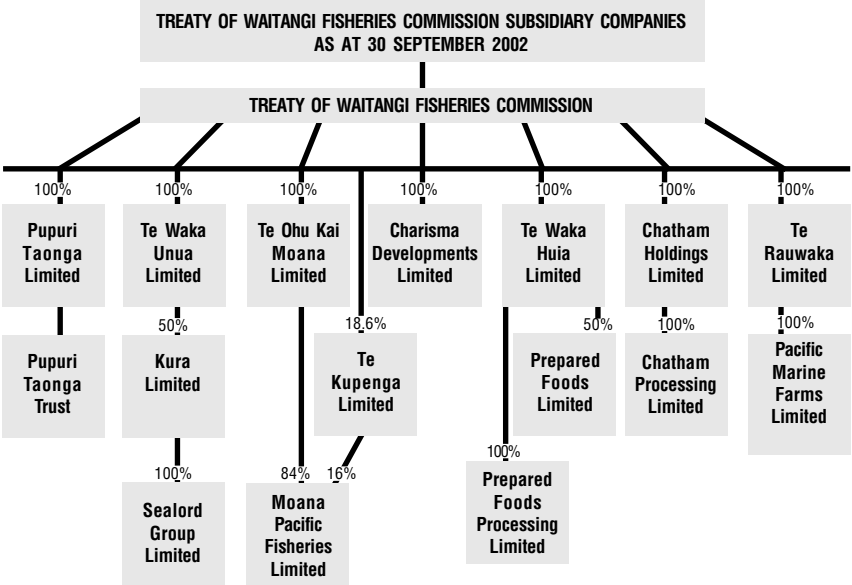
The Commission has a policy of funding the majority of its subsidiaries by way of inter-group advances rather than through the issue of share capital.

	COMMISSION	
	2002	2001
	\$'000	\$'000
Equity investments in subsidiaries	115,502	123,184
Advances to subsidiaries	72,651	66,418
	<u>188,153</u>	<u>189,602</u>

The principal activities of the Group are the purchase and sale of annual catch entitlements and the harvesting, catching, processing and marketing of seafood.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2002



This diagram represents the significant operating subsidiaries of the Treaty of Waitangi Fisheries Commission (“Te Ohu Kai Moana”). Kura Limited is treated as an associated company. Prepared Foods Limited is a joint venture company for the procurement and marketing of abalone. Pupuri Taonga Limited is a corporate trustee that has legal title of Individual Transferable Quota assets on behalf of the beneficiaries in the Pupuri Taonga Trust.

Charisma Developments Limited is the Company used by Te Ohu Kai Moana to acquire where possible and hold the shortfall in the 10 percent of the Quota Management System not transferred by the Crown to Te Ohu Kai Moana under the Maori Fisheries Act 1989. The assets held within this company form part of the assets to be allocated to Iwi as proposed in Ahu Whakamua. (see note 22)

During the year Moana Pacific Fisheries Limited issued additional shares to Te Ohu Kai Moana Limited as part of the final stage of repayment of subordinated debt. Te Ohu Kai Moana Limited now holds 84 percent of the shares of Moana Pacific Fisheries Limited.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

12. INVESTMENTS IN ASSOCIATES

On 2 December 2000, Te Ohu Kai Moana and Nippon Suisan Kaisha Limited (Nissui), through a jointly held company, Kura Limited, entered into a conditional agreement to purchase BIL (NZ) Limited's 50 percent interest in the Sealord Group, including quota. All conditions were satisfied and settlement occurred on 24 January 2001. As part of this agreement, Te Ohu Kai Moana's 50 percent interest in the Sealord Group, held through its wholly owned subsidiary Te Waka Unua Limited, was also transferred to Kura Limited. The legal ownership of the Sealord Group's quota interests were transferred to a corporate trustee, the shares of which are wholly owned by Te Ohu Kai Moana.

The investment in the Sealord Group Limited is shown as an Investment in Associates in the statements of financial position. The income being included in the statements of financial performance as dividends received when distributed and as a "Share of Associate Companies surplus/loss" for the undistributed portion.

	GROUP	
	2002	2001
	\$'000	\$'000
Share of Associates' tax paid surplus	10,850	4,514
Income Tax	(2,690)	(1,750)
Dividends received from Associates	(5,048)	(3,306)
Equity Accounted surplus/(loss)	3,112	(542)
Share of Increase in Associates Equity since Acquisition	3,692	580
Cost of Investments in Associates	170,410	170,410
Equity Accounted Value of the Investment	174,102	170,990

13. OTHER INVESTMENTS

	GROUP		COMMISSION	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Te Kupenga Limited	1,634	1,634	1,634	1,634
Other Investment in Unlisted Companies	3	3	3	3
Other investments	1,952	-	1,944	-
	3,589	1,637	3,581	1,637

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

As major participants in the New Zealand fishing industry Te Ohu Kai Moana and its subsidiaries hold shares in certain companies, set up by quota holders and interested parties, to assist with the management and operation of particular species within the New Zealand quota management system. Few of these companies operate with paid up capital relying instead on their members' contributions to agreed operating and research expenditure. Te Ohu Kai Moana is a shareholder in the following quota management companies:

The Orange Roughy Management Co Limited
Northern Scallop Enhancement Co Limited
Challenger Scallop Enhancement Co Limited
NZ Paua Management Co Limited
Squid Fishery Management Co Limited
Hoki Fishery Management Co Limited
Challenger Dredge Oyster Fishery Management Co Limited
Pagrus Auratus Co Limited (Snapper 1)
Area 2 Inshore Finfish Management Co Limited
CRA 2 Rock Lobster Co Limited
Bluff Oyster Management Co Limited
South East Inshore Finfish Management Limited
Northern Inshore Fisheries Co Limited
Snapper 8 Co Limited
Te Waka a Maui me ona Toka Mahi Tuna Inc (South Island freshwater eels)

14. LONG TERM ASSETS

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Individually Transferable Quota	232,138	229,206	100,703	100,703
Marine Farm Leases	7,866	5,999	-	-
Other	1,116	2,573	-	-
	<u>241,120</u>	<u>237,778</u>	<u>100,703</u>	<u>100,703</u>

Individually Transferable Quota (ITQ)

In accordance with the Group's accounting policies ITQ is recorded in these financial statements at cost or the equivalent value used when quota was transferred from the Government as part of the interim settlement under the Maori Fisheries Act 1989.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

Independent market valuations of the Group's ITQ are not carried out annually. The size of the Group's ITQ holdings make any valuation a difficult exercise as most trading of ITQ is in small parcels. The value of ITQ to the Group is represented by the income that can be generated from its use and will be different to the value of small parcels traded on the open market.

An indication of the value of the Group's ITQ holdings can be obtained by using the average traded price for the year for each species as reported by the Ministry of Fisheries. This is an indication only and may be different to what could be realised in a sale transaction.

The legal ownership of the ITQ previously held by the joint venture between Te Waka Unua Limited and Basuto Investments Limited, was transferred to the Pupuri Taonga Trust in January 2001.

Using the Ministry of Fisheries numbers for the year ending 30 September 2002, the value of the Group's ITQ holdings excluding that quota held by the Trust, would be \$501.8 million (2001 \$486.9 million) and for Te Ohu Kai Moana would be \$286.2 million (2001 \$284.4 million).

As part of the Group's quota holdings, Te Ohu Kai Moana Paua Quota Holdings Limited has held quota as security over fishers' advances. No quota was held as security at year end.

The following new species and fishstock was introduced into the Quota Management System during the 2001/02 financial year.

Introduction Date	Species	Fishstocks	Quota Shares Allocated	Quota Weight (mt) for 2001/02
1 April 2002	Coromandel scallops	SCACS	20,000,000	4.400

Marine Farm Leases and Licences

Leases and licences expire as follows:

	2002 ha	2001 ha
Within one year	3.7	-
One to two years	-	3.7
Two to five years	7.8	-
Over five years	170.9	178.7
Total	182.4	182.4

The power to extend the terms of the leases and licences under section 13 of the Maori Fisheries Act is discretionary and requires the concurrence of the Ministers of Fisheries, Conservation and Transport.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

15. ACCOUNTS PAYABLE & ACCRUALS

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade Payables	5,883	7,636	513	864
Employee entitlements	1,628	1,566	46	40
Other Payables	7,270	4,204	1,667	1,420
Funds held on Trust	3,183	2,690	3,183	2,689
	<u>17,964</u>	<u>16,096</u>	<u>5,409</u>	<u>5,013</u>

FUNDS HELD ON TRUST

These funds have arisen from disputes relating to quota lease rounds over representation and mandate issues. The funds are held on individual deposits awaiting resolution of the dispute. Te Ohu Kai Moana as Trustee of these funds has paid all applicable taxes to the Inland Revenue Department. The amount of these taxes has been deducted from the pool of funds held on deposit. The entities involved in the disputes and the amounts being held, before deduction of taxes, are listed below. In some cases the amounts cover disputes involving several lease rounds and may be subject to deduction of resident withholding tax on distribution.

	2002 \$	2001 \$
Taranaki Iwi	22,213	21,749
Muaupoko	-	296,326
Ngati Kahu	321,162	242,427
CRA 9 Iwi	68,145	66,689
Ngati Mutunga o Wharekauri and Te Runanga o Wharekauri Rekohu	170,176	166,623
Ngati Kuri	184,231	179,696
Rangitane / Kahungunu	3,128,663	2,332,378
Rongomaiwahine / Kahungunu	205,493	201,203
Ngaruahine	214,324	209,535
Ngati Maru	63,996	62,660
Ngaitakoto	127,353	-
Coromandel Scallops	7,134	-

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

16. LONG-TERM BORROWINGS

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Term loans	43,275	11,925	-	-
Foreign currency loans	-	50,471	-	-
	43,275	62,396	-	-
Less Current portion	650	51,121	-	-
Term portion	42,625	11,275	-	-

Repayable as follows:

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
One to two years	650	650	-	-
Two to three years	32,650	650	-	-
Three to four years	650	650	-	-
Four to five years	650	650	-	-
Over five years	8,025	8,675	-	-
	42,625	11,275	-	-

Average Interest Rates % pa	2002	2001
Term Loans	6.8	7.2
Foreign Currency Loans	-	4.3

Interest on the term loans are at floating rates of interest based on the 90-day bank bill rate plus a bank margin. They are reset quarterly.

Term Loans

The term loans are secured over the assets and undertakings of the group (except Te Ohu Kai Moana) by way of composite debentures or registered instruments by way of security over specific assets.

Foreign Currency Loans

The loans have been raised in a mixture of currencies, principally US Dollars, Australian Dollars and Japanese Yen and are either secured over particular fishing vessels or part of the composite debenture over assets. Where security is against a particular vessel it ranks as a prior charge to other debentures. The value of loans outstanding has been converted to NZ dollars at the rate of exchange ruling at balance date.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

Bank Overdrafts

The bank overdrafts are secured over the assets and undertakings of particular companies of the group by way of composite debentures. Te Ohu Kai Moana as the parent entity does not have any of its assets subject to the composite debenture. There are no registered instruments by way of security over any assets held directly by Te Ohu Kai Moana.

17. TRANSACTIONS WITH RELATED PARTIES

Commissioner links with Iwi and industry interests play an important role in the work of Te Ohu Kai Moana. Such interests would normally fall within the definition of related parties. It is however, not possible to detail all transactions with these parties, due to the nature of the parties and the diverse interests of Commissioners.

All transactions with related parties have been carried out at arms length and material transactions occurring between members of the Group have been eliminated on consolidation. No related party debts have been written off or forgiven during the period.

Te Ohu Kai Moana holds a register of interests for all Commissioners and relevant staff.

During the year the Group paid consultancy fees to Arthur Andersen and Ernst & Young for a number of projects undertaken in relation to the operations of individual members of the Group. Commissioner Robert McLeod was the managing partner New Zealand for Arthur Andersen until its merger with Ernst & Young on 1 April 2002 when he was appointed chairman, Ernst & Young in New Zealand. Transactions with that entity are required to be reported as related party transactions in accordance with SSAP-22. All projects have been undertaken on normal commercial terms and conditions. The fees charged amounted to \$165,000 by Arthur Andersen and \$1,020,000 by Ernst & Young. The fees comprise of; Sealord \$484,000 (includes consultancy fees and audit fees worldwide), Moana Pacific Fisheries \$83,000 (includes audit fees), Prepared Foods group \$382,000 (includes costs for the installation of a major computer system) and Te Ohu Kai Moana \$236,000.

Craig Ellison is a director on Trade New Zealand. During the year members of the Group sought information from Trade New Zealand on various international markets and also received export assistance grants from Trade New Zealand. Fees charged by Trade New Zealand amounted to \$33,000 and export assistance grants received amounted to \$79,000.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

18. SEGMENTAL REPORTING

The Group operates predominantly in one industry. The Group's operations include the catching, processing, distribution and marketing of seafood, the leasing of quota and the sale of annual catch entitlements. Most operations are carried out within New Zealand.

In the case of Sealord Operating Group a global marketing network has been established in Europe, North America, Australia and Asia, in addition to New Zealand. Operations in foreign regions have been established to facilitate Group sales. It also has investments in fishing companies in Australia and South America. These seafood companies carry out their operations independently of Sealord Operating Group. Product caught is primarily sold through the Sealord Operating Group marketing network.

19. CONTINGENT LIABILITIES

- a At balance date Te Ohu Kai Moana was involved in 14 separate legal proceedings.

Only one of those proceedings seeks a monetary amount from Te Ohu Kai Moana. In that proceeding the plaintiff claims compensation of \$171,719 in relation to the lease of quota by Te Ohu Kai Moana to Southern Ocean Trawlers Limited (in receivership) during the 1995/1996 wetfish lease round. The plaintiffs have entered into a creditors' compromise arrangement and have received \$75,000. Any amount claimed by the plaintiffs would be less the amount they have received, therefore, the plaintiffs could seek to recover \$94,718 from Te Ohu Kai Moana. There have been no developments in relation to this litigation in the past two years.

- b Te Ohu Kai Moana funds its wholly owned subsidiaries by way of advances and loans rather than equity. Te Ohu Kai Moana therefore has contingent liabilities for the uncalled capital in those subsidiaries. In only one subsidiary, Pacific Marine Farms Ltd is the amount considered material. The extent of the uncalled capital in Pacific Marine Farms Ltd at balance date is \$2.25million.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

20. COMMITMENTS

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
a Capital Expenditure	373	11	-	-
b Operating Lease Commitments				
Payable within one year	1,265	1,102	296	199
One to two years	662	585	293	11
Two to five years	1360	349	851	8
Beyond five years	304	168	283	-
	<u>3,591</u>	<u>2,203</u>	<u>1,723</u>	<u>218</u>

21. FINANCIAL INSTRUMENTS

Exposure to credit, currency and interest rate risk arises in the normal course of the Group's business. Derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates and interest rates. While these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged. The Group is risk adverse and has policies which seek to minimise its risk exposure from its treasury activities.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss.

The Group does not require any collateral or security to support transactions with financial institutions. The counterparties used for banking and finance activities are financial institutions with high credit ratings and sovereign bodies. The Group limits the amount of credit exposure to any one financial institution.

The Group has no significant concentrations of customer credit risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group undertakes transactions denominated in foreign currencies and has policies in place to minimise foreign currency risk, using forward foreign exchange contracts and foreign currency options to hedge future foreign currency receipts.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

The notional principal or contract amounts of foreign exchange instruments outstanding at balance date are:

	GROUP			
	2002		2001	
	To pay \$'000	To receive \$'000	To pay \$'000	To receive \$'000
Foreign currency forward exchange contracts	23,181	19,473	52,562	34,213

The cash settlement requirements of the forward exchange contracts approximate the notional amounts shown above.

Te Ohu Kai Moana (the parent entity) did not have any foreign exchange instruments outstanding at balance date.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return from investments.

The notional principal or contract amounts of interest rate contracts outstanding at balance date are:

	GROUP		COMMISSION	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
	Interest rate swaps	15,000	-	-

These interest rate swaps contracts have termination dates maturing between 30 September 2004 and 30 September 2005 and are at fixed rates ranging from 6.02 percent to 6.15 percent.

Fair Values

The estimated fair value of the Group's financial instruments is equivalent to the carrying values stated in the statements of financial position, except as detailed below.

	GROUP			
	2002		2001	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Interest rate swaps	-	-	-	-
Forward foreign exchange contracts	-	(3,709)	-	(18,349)
		(3,709)	-	(18,349)

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

22. AHU WHAKAMUA – REPORT FOR AGREEMENT

In August 2002 Te Ohu Kai Moana released Ahu Whakamua. This document outlines Te Ohu Kai Moana's proposals for allocating assets and distributing benefits of the Treaty of Waitangi Fisheries settlement (the Fisheries Settlement).

Ahu Whakamua provides the direction the Commission proposes to take regarding the allocation of PRESA assets and distribution of the benefits of POSA, gives reasons for the particular decisions and outlines the obligations that Iwi organisations and other parties must meet before allocation can be advanced.

Included in the document is an initial draft of the proposed legislation for a new Maori Fisheries Act.

The document details the transition period during which assets will be allocated and the structures that will continue to operate following the allocation of the settlement assets. Below is a chart that outlines key parts of the proposals for allocation contained in Ahu Whakamua.

Te Ohu Kai Moana anticipates presenting its report to the Minister of Fisheries during the first quarter of 2003. Ahu Whakamua details a timetable for allocation with a proposed commencement date of 1 October 2003. This date is dependent on the progress of the new Maori Fisheries Legislation through the Parliamentary process, the readiness of Iwi to accept the assets and there being no further litigation.

Instrumental in the proposed changes will be a new group structure with the Commission, as it is legally known today, transforming into a new entity, Te Ohu Kai Moana. This new structure will facilitate the proposed settlement arising from the intended legislation.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

PRESA \$332.88 M				
	ASSETS	WHAT	WHO TO	FORMULA
	Inshore Quota \$345.05 Million	Allocate Capital	Iwi	Coastline
	Deepwater Quota \$314.75 Million	Allocate Capital	Iwi	25% Coastline 75% Population
	Shares \$22.43 Million	Transfer for POBA cash becomes part of Antaresa Fisheries Limited Add to PRESA cash		
	Cash \$37.55 Million	Allocate some Hold some for Putea and Transition	Iwi TKM, Other, Putea Trust	Iwi Population
POSA \$376.07 M				
	ASSETS	WHAT	WHO TO	FORMULA
	Inshore Quota \$8.78 Million	Allocate Capital	Iwi	Coastline
	Deepwater Quota \$27.79 Million	Allocate Capital	Iwi	25% Coastline 75% Population
	Shares \$324.48 Million	Part of Antaresa Fisheries Limited Allocate Income Shares	Iwi TKM	Iwi Population
	Cash \$42.02 Million	Purchase PRESA shares, remainder in Antaresa Fisheries Limited Allocate Income Shares	Iwi TKM	Iwi Population
Common Features PRESA, POSA				
	Chatham Islands	Special fishery zone; all inshore and deepwater fisheries in this zone	Chatham Island Iwi Chatham Island Iwi Iwi	Inshore to Coastline Inshore 50% Coastline 50% Population agreement between Iwi as to proportion
	Freshwater Fisheries	Species Info QMS Research funds from Fisheries Development Fund for restoration and development Working Group to coordinate action	Iwi	by application by nomination
	Putea	Putea to develop Maori kaitiaki capital	All Maori	by application
	Minimum Settlement	Allocation of \$1 Million assets through quota, cash and income shares	Seven Iwi	Top up allocation from PRESA cash from initial \$10M from Crown

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

23. EVENTS SUBSEQUENT TO BALANCE DATE

The following new species were introduced into the Quota Management System on 1 October 2002: anchovy, butterfish, cockles, blue mackerel, garfish, paddle crab, pilchard, queen scallop sprat, and kina.

Total allowable commercial catch (TACC) alterations for the fishing year commencing 1 October 2002 were announced by the Minister of Fisheries as follows:

Increases: ruby fish (RBY1); elephant fish (ELE3); stargazer (STA 7); silver warehou (SWA1); ling (LIN 1); and snapper (SNA2).

Decreases: gurnard (GUR3); oreos (OEO3A); orange roughy (ORH 2A South, ORH2B, ORH3A); and paua (PAU 5B, PAU 5D PAU 7).

Any impact resulting from the TACC decisions for the 2002/2003 fishing year has not been recognised in these financial statements

24. TE OHU KAI MOANA CHARITABLE TRUST

The Te Ohu Kai Moana Charitable Trust was established in 1995.

The objectives of the trust are to:

- a Facilitate the entry of Maori into, and the development by Maori of, the business and activity of fishing;
- b Grant assistance to any Maori or group of Maori for the purpose of enabling that Maori or group of Maori to enter into or continue in or to develop the business and activity of fishing
- c Conduct and encourage research and development into matters affecting Maori fishing.

During the year the Charitable Trust supported Maori through a range of interventions that assisted in the achievement of the above objectives.

The Training and Development Scholarship Programme:

The scholarship programme focuses on a number of streams of training. These are:

- Tertiary-level courses leading to a range of professional and scientific qualifications,
- Management courses leading towards skills and qualifications that would assist in the development and of Iwi commercial fisheries resources, and
- Technical training courses that develops skills to obtain seafood processing, deep – sea fishing and statutory marine qualifications:
- The development of new initiatives to increase Maori participation. This including the Sea and Learn programme for Maori Secondary School students in conjunction with NIWA.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

- Every year Te Ohu Kai Moana holds the annual students conference which provides students with opportunities, careers and networks in the fishing industry. Scholarships were also provided for Students to attend other conferences in New Zealand and overseas that related to their course of studies.

The following table provides an overview of the scholarships awarded in the different areas of the Training and Development Scholarship Programme

Category	Numbers
Tertiary Level Courses	45
Management Courses	16
Technical Courses	59
New Initiatives	38
Students Conference	130
Other Conferences	13

TE OHU KAI MOANA CHARITABLE TRUST Statements of financial performance For the year ended 30 September 2002

	2002	2001
	\$'000	\$'000
Income		
Te Ohu Kai Moana	1,096	1,010
Interest	88	74
Sponsorship	39	35
	<hr/>	<hr/>
	1,223	1,119
Distributions and Expenditure		
Scholarships	521	340
Research	39	58
Te Ara Hou Courses	9	35
Iwi Management Courses	48	96
Training Courses (Aoraki)	13	68
Training Courses (Westport)	132	159
Training Courses (Gisborne)	45	20
Travel Expenses	11	27
Sea and Learn Expenses	32	48
Other	30	11
	<hr/>	<hr/>
	880	862
Surplus of Income over Distributions for the year	343	257

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2002

TE OHU KAI MOANA CHARITABLE TRUST

Statements of financial position

As at 30 September 2002

Assets

WestpacTrust Current Account	284	131
Investments	2,237	1,812
Konaki Project Funds	(41)	-
Accrued Expenses	(242)	(89)
NET ASSETS	2,238	1,854

Trust Capital

Balance at beginning of the year	1,854	1,597
Konaki Project Funds	41	-
Surplus for the year	343	257
TOTAL FUNDS	2,238	1,854



REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE TREATY OF WAITANGI FISHERIES COMMISSION AND GROUP FOR THE YEAR ENDED 30 SEPTEMBER 2002

We have audited the financial statements on pages 34 to 65. The financial statements provide information about the past financial performance and financial position of the Treaty of Waitangi Fisheries Commission and Group as at 30 September 2002. This information is stated in accordance with the accounting policies set out on pages 40 to 44.

Responsibilities of the Commissioners

The Maori Fisheries Act 1989 requires the Commissioners to prepare annual financial statements which fairly reflect the financial position of the Treaty of Waitangi Fisheries Commission and Group as at 30 September 2002 and the results of their operations and cash flows for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001, and the Maori Fisheries Act 1989, require the Auditor-General to audit the financial statements presented by the Commissioners. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Stephen Lucy, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- ▲ the significant estimates and judgements made by the Commissioners in the preparation of the financial statements; and
- ▲ whether the accounting policies are appropriate to the Treaty of Waitangi Fisheries Commission and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Treaty of Waitangi Fisheries Commission or any of its subsidiaries and associates.

Allocation of assets and distribution of benefits of the Treaty of Waitangi Fisheries settlement

In forming our unqualified opinion we draw your attention to note 22, which details a timetable for allocation of assets and some accompanying structural changes with a proposed commencement date of 1 October 2003. This date is dependent on the progress of the new Maori Fisheries Legislation through the Parliamentary process, the readiness of Iwi to accept the assets and there being no further litigation. As the proposed changes to the group are primarily structural, the Treaty of Waitangi Fisheries Commission does not see any need to change the basis of measurement used in the preparation of the financial statements. We consider this to be appropriate in the circumstances.

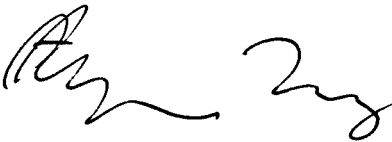
Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Treaty of Waitangi Fisheries Commission and Group on pages 34 to 65:

- ▲ comply with generally accepted accounting practice in New Zealand; and
- ▲ fairly reflect:
 - the Treaty of Waitangi Fisheries Commission and Group's financial position as at 30 September 2002; and
 - the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 20 December 2002 and our unqualified opinion is expressed as at that date.



S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

**APPENDIX 1 -
LEASE ROUNDS, 1 OCTOBER 2001 AND 1 APRIL 2002**

IWI	1 April fishing year Tonnes distributed	1 April fishing year Benefits	1 October fishing year Tonnes distributed	1 October fishing year Benefits	Total Tonnes distributed	Total Benefits
Chatham - Moriori	26.202	101,375.02	2,918.152	\$729,471.65	2,944.354	\$830,846.67
Chatham - Mutunga	26.202	101,369.17	2,918.094	\$729,461.67	2,944.296	\$830,830.84
Hauraki iwi (total)	611.033	159,403.62	2,766.583	\$825,923.16	3,377.616	\$985,326.78
Muaupoko	26.316	18,491.10	279.786	\$58,476.51	306.102	\$76,967.61
N Kahungunu	749.679	192,519.98	2,529.928	\$580,517.68	3,279.607	\$773,037.66
Ngai Tahu	575.602	650,636.59	13,065.393	\$3,493,688.20	13,640.995	\$4,144,324.79
Ngaitakoto	144.695	14,348.25	710.369	\$171,592.77	855.064	\$185,941.02
Ngai Tamanuhiri	16.940	33,140.56	260.194	\$58,731.89	277.134	\$91,872.45
Ngapuhi	903.862	26,294.23	3,246.063	\$721,655.75	4,149.925	\$747,949.98
Ngati Kahu	133.657	14,174.70	556.955	\$156,299.14	690.612	\$170,473.84
Ngati Kuri	144.731	14,348.88	710.514	\$171,630.92	855.245	\$185,979.80
Ngati Porou	890.568	202,271.17	2,640.355	\$597,833.27	3,530.923	\$800,104.44
Ngati Raukawa ki te tonga	242.627	21,891.62	870.680	\$182,343.37	1,113.307	\$204,234.99
Ngati Ruanui	67.923	2,266.22	395.999	\$82,835.73	463.922	\$85,101.95
Ngati Toa	73.384	30,663.21	1,109.881	\$276,734.48	1,183.265	\$307,397.69
Ngati Wai	370.120	63,363.20	1,699.626	\$512,732.37	2,069.746	\$576,095.57
Ngati Whatua	487.942	55,228.87	2,438.962	\$576,089.13	2,926.904	\$631,318.00
Rangitane (Manawatu)	22.461	1,551.52	271.830	\$56,805.44	294.291	\$58,356.96
Rongowhakaata	49.794	31,308.80	260.479	\$58,794.64	310.273	\$90,103.44
Te Aitanga a Mahaki	52.472	31,336.02	260.194	\$58,731.89	312.666	\$90,067.91
Te Arawa Iwi	601.125	34,250.71	2,055.438	\$477,143.68	2,656.563	\$511,394.39
Te Atiawa (SI)	8.371	11,546.25	332.286	\$105,044.98	340.657	\$116,591.23
Te Atiawa (Wellington)	10.001	18,234.67	479.495	\$109,395.60	489.496	\$127,630.27
Te Atiawa ki Whakarongotai	10.019	18,235.01	235.249	\$49,140.85	245.268	\$67,375.86
Te Aupouri	144.731	14,348.88	710.514	\$171,630.92	855.245	\$185,979.80
Te Rarawa	169.399	14,736.63	821.128	\$174,840.92	990.527	\$189,577.55
Te Whanau a Apanui	209.984	3,301.01	1,002.494	\$277,554.41	1,212.478	\$280,855.42
Whaingaroa	112.687	13,882.79	527.603	\$160,697.27	640.290	\$174,580.06
Mataatua	594.156	52,349.97	2,128.632	\$520,494.13	2,722.788	\$572,844.10
*Ngai Tai (BOP)						
*Ngaiterangi						
*Ngati Awa (BOP)						
*Ngati Manawa						
*Ngati Whare						
*Tuhoe						
* Tuwharetoa						
* Whakatohea						
Ranginui/Pukenga	91.529	11,843.98	362.474	\$97,410.07	454.003	\$109,254.05
* Ngati Pukenga						
* Ngati Ranginui						
Tainui Consortium	986.020	20,293.28	4,399.998	\$919,630.57	5,386.018	\$939,923.85
* Ngati Maniapoto						
* Waikato						
* Ngati Raukawa ki Waikato						

IWI	1 April fishing year Tonnes distributed	1 April fishing year Benefits	1 October fishing year Tonnes distributed	1 October fishing year Benefits	Total Tonnes distributed	Total Benefits
Te Tai a Kupe	380.717	12,226.62	2,421.730	\$505,075.84	2,802.447	\$517,302.46
* Nga Rauru						
* Nga Ruahine						
* Ngati Maru (Taranaki)						
* Ngati Mutunga (Taranaki)						
* Ngati Tama (Taranaki)						
* Taranaki						
* Te Atiawa (Taranaki)						
Te Waiponamu Fisheries	125.169	471,546.87	4,714.650	\$1,226,236.90	4,839.819	\$1,697,783.77
* Ngai Tahu						
* Ngati Rarua (SI)						
* Ngati Tama (SI)						
* Rangitane Te Tau Ihu						
* Ngati Apa ki te Waipounamu						
*Ngati Koata						
* Ngati Kuia						
Ngati Apa Consortium	160.098	4,935.39	976.858	\$202,894.21	1,136.956	\$207,829.60
* Ngati Apa (Manawatu)						
* Te Atihaunui (Whanganui)						
*Ngati Hauiti						
Ngati Porou/Te Whanau						
Apanui JV	5.170	70,519.96			5.170	\$70,519.96
Disputes						
Ngati Kahungunu/Rangitane	24.650	90,754.83	1,686.620	\$387,017.68	1,711.270	\$477,772.51
Ngati Kahungunu/						
Rongomaiwahine	32.572	188,637.21	843.313	\$193,518.19	875.885	\$382,155.40
SCACS Recipients						
(shares not agreed)	7.000	1,431.29		\$-	7.000	\$1,431.29
Totals	9,289.608	2,819,058.08	63,608.519	\$15,678,075.88	72,898.127	\$18,497,133.96
	9,289.608	\$2,819,058.04	63,608.518	\$15,678,076.08	72,898	\$18,497,134.12
	-	0	0	-0	0	0

	1 April fishing year Benefits	1 October fishing year Benefits	Total Benefits
Estimated ACE sale value	\$4,541,378.17	\$21,728,208.05	\$26,269,586.22
Te Ohu Kai Moana Admin Charges	\$951,942.65	\$3,457,681.35	\$4,409,624.00
Govt/SeaFIC/Stakeholder Levies	\$770,308.03	\$2,592,450.84	\$3,362,758.87
Benefit to Iwi	\$2,819,058.04	\$15,678,075.88	\$18,497,133.92

