



Final Report of the
**Treaty Of Waitangi
Fisheries Commission**

For the 14 months
1 October 2003 to 28 November 2004

*Presented to the House of Representatives Pursuant to Section 197 of the Maori Fisheries Act 2004
by Te Ohu Kai Moana Trustee Limited*



Hon Parekura Horomia
Minister of Maori Affairs
Parliament Buildings
Wellington


Tena koe e te Minita

Nga mihi whanui ki a koe, a, ko 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 12th and final Report of the Treaty of Waitangi Fisheries Commission, for the 14 months ended 28 November 2004.

Kia ora



Shane Jones

CHAIRMAN

Te Ohu Kai Moana Trustee Limited

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

**FINAL REPORT FOR THE 14 MONTHS 1 OCTOBER 2003 TO
28 NOVEMBER 2004**

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TREATY OF WAITANGI FISHERIES COMMISSION

REPORT OF THE COMMISSIONERS

FOR THE 14 MONTHS 1 OCTOBER TO 28 NOVEMBER 2004

INTRODUCTION

The Treaty of Waitangi Fisheries Commission was established by the Maori Fisheries Act 1989 as amended by the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992 (“the Settlement Act”).

The Treaty of Waitangi Fisheries Commission has now been dissolved by the Maori Fisheries Act 2004 and replaced by two successor organisations Te Ohu Kai Moana Trustee Limited and Aotearoa Fisheries Limited.

This is the twelfth and final report of the reconstituted Commission to the House of Representatives. This final report is historically significant and includes the audited financial statements of the Commission for the period 1 October 2003 - 28 November 2004 which is the day immediately before the successor organisations were established and the Commission dissolved.

Future reports on the activities of Aotearoa Fisheries Limited and Te Ohu Kai Moana Trustee Limited will be delivered directly to Iwi organisations and other Maori organisations.

MEMBERSHIP

Commissioners were 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 the Commission.

Prior to September 2004, the ten Commissioners were Craig Ellison (Deputy Chairman), Naida Glavish, June Jackson, Shane Jones (Chairman), June Mariu, Ken Mason, Maui Solomon, Archie Taiaroa, Toro Waaka and Hon Koro Wetere.

On 14 September 2004, the Maori Affairs Minister Parekura Horomia announced the appointment of four additional Commissioners to the existing board and June Mariu retired. The new Commissioners were Wira Gardiner, Dame Georgina Kirby, Robert McLeod and Rangimarie Parata Takurua.

The new Commissioners were appointed to ensure that there would be an effective transition between the Treaty of Waitangi Fisheries Commission and Te Ohu Kai Moana Trustee Limited.

On 26 November 2004 following the enactment of the Maori Fisheries Bill, the Minister of Maori Affairs fulfilled his last duty in respect of the Maori Fisheries Settlement and appointed the first seven Directors to Te Ohu Kai Moana Trustee Limited.

The inaugural Directors to Te Ohu Kai Moana Trustee Limited are Wira Gardiner, Shane Jones, Dame Georgina Kirby, Robert McLeod, Archie Tairaoa, Rangimarie Parata Takurua and Hon Koro Wetere.

Future appointments to the Board of Te Ohu Kai Moana Trustee Limited will be made by a Maori electoral college, Te Kawai Taumata, which is to be established under the Maori Fisheries Act 2004.

ALLOCATION

MAORI FISHERIES ACT 2004

On 20 November 2003 the Maori Fisheries Bill was introduced into Parliament. While the allocation model that Iwi agreed to remained largely intact there were some significant changes made such as the additional requirement for Te Ohu Kai Moana Trustee Limited to consult with the National Urban Maori Authority prior to the appointment of Directors to Te Putea Whakatupu Trust. Another significant change was the inclusion of a withdrawal clause for four collective Iwi organisations allowing Iwi within each of those groups to withdraw if they so desire within five years of the collective Iwi organisation being recognised as a Mandated Iwi Organisation. A further significant set of changes was the inclusion of organisational audits of Te Ohu Kai Moana, Aotearoa Fisheries Limited, Te Putea Whakatupu Trust and Te Wai Maori Trust every 4 years and the manner and timing of the substantive review that now needs to be completed by the end of year 11.

The Bill had its first reading on 4 December 2003 and was passed with 106 votes in favour of the Bill and 13 against. After the Bill's first reading it was referred to the Fisheries and Other Sea-related Legislation Select Committee which was specifically established to consider the Bill.

The Commission requested to participate in the Select Committee as an advisor, because of its intimate knowledge of the allocation model, but this request was declined. However the Commission was given the opportunity to open the Select Committee hearings on 30 March 2004 with a short briefing and provide a supplementary report on 4 May 2004. Staff also attended all seven Select Committee hearings conducted around the country during March, April and May 2004.

The Commission's submissions focussed on the legal and policy issues underpinning the Bill and suggested various technical amendments to improve the workability of the Bill. The Commission was also asked by the Committee to respond to particular issues that were raised by submitters. These issues related primarily to Iwi recognition, the voting shares in Aotearoa Fisheries Limited (AFL) and the accountability mechanisms of AFL and Te Ohu Kai Moana Trustee Limited to Iwi.

The Fisheries and Other Sea-related Legislation Select Committee received 72 written submissions on the Bill and the Committee reported back to Parliament on 9 August 2004.

The third and final reading of the Maori Fisheries Bill 2004 on 16 September and the subsequent assenting to the Act on 25th September 2004 marked the close to almost two decades of intense debate, litigation and negotiations.

The events that led up to the enactment of this cornerstone piece of legislation were:

1987

The New Zealand Government attempts to introduce a new regime to manage New Zealand's commercial fisheries - the quota management system (QMS). It assigns property rights to individuals and companies in the seafood industry. However, the Government ignores Maori fishing rights secured and guaranteed under the Treaty of Waitangi. On that basis, Maori mount a legal challenge.

1989

The Crown and Maori - through representatives of four Maori groups (Ngai Tahu, Muriwhenua, Tainui, and the New Zealand Maori Council) - reach an interim agreement. The QMS is implemented, and Maori receive \$10 million cash and 10 percent of all fish stocks introduced into the QMS, progressively provided at 2.5 percent per annum for four years or a cash equivalent where the Crown proved unable to provide the quota.

The Maori Fisheries Commission is established under the Maori Fisheries Act 1989 to get Maori into the business and activity of fishing. It begins extensive consultation to transfer and allocate these assets.

1992

The Crown and Maori reach a full and final settlement. The deal extinguishes any further claims Maori have to commercial fishing rights. The settlement involved an agreement by the Crown to pay \$150 million to the Commission to be used for the development and involvement of Maori in the New Zealand fishing industry, including the participation in a joint venture to acquire a 50 percent shareholding in Sealord Products Limited, and provision for the allocation to the Commission of 20 percent of all commercial fisheries brought into the QMS subsequently.

The Maori Fisheries Commission is reconstituted as the Treaty of Waitangi Fisheries Commission (the Commission) under the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992 to hold the assets received through the settlement on behalf of Iwi and develop a methodology to allocate and transfer those assets to Iwi.

1993 - 2003

The Commission consults widely with Iwi and Maori in order to obtain agreement on a methodology to allocate the settlement assets to Iwi. Key issues include the allocation formulae including whether quota should be allocated based on an Iwi's population or coastline, what the entitlements are for 'urban Maori' disassociated from their Iwi and whether the entire settlement should be distributed, consolidated in a central organisation, or have some assets distributed to Iwi and some managed centrally on behalf of Iwi.

During this time, successive legal challenges delayed the allocation process and influenced the final allocation model particularly in confirming the assets are only to be allocated to Iwi (traditional tribes) but that this must ultimately be for the benefit of all Maori.

May 2003

An allocation model supported by 93.1 percent of Iwi is presented to the Fisheries Minister. This model forms the basis of the Maori Fisheries Bill.

December 2003

The Maori Fisheries Bill is introduced into Parliament. Residual legal challenges continue.

September 2004

The Maori Fisheries Act 2004 is finally passed in Parliament. The Treaty of Waitangi Fisheries Commission which has fulfilled its primary responsibility - to devise an allocation model for the assets from the Maori Fisheries Settlement - is dissolved.

The value of the Maori Fisheries Settlement has tripled since 1992. It is now estimated at approximately \$750 million.

For many Iwi, their share of assets from the Maori Fisheries Settlement will represent the first significant assets they receive through the Treaty of Waitangi claims settlement process.

DISTRIBUTION OF ASSETS

The passing of the Maori Fisheries Act 2004 provides for the allocation and transfer of Maori fisheries assets derived from the 1989 interim settlement and the 1992 'full and final' Sealord deal.

On 29 November, the assets held by the Treaty of Waitangi Fisheries Commission were vested in Te Ohu Kai Moana Trustee Limited and Aotearoa Fisheries Limited (AFL).

Te Ohu Kai Moana Trustee Limited will hold the assets on behalf of 57 Iwi in the form of the income shares in AFL, cash, and quota until they have met mandating requirements prescribed under the Maori Fisheries Act 2004 and signed share agreements regarding quota shares with neighbouring Iwi. Once this process is complete, each mandated Iwi organisation will receive a mix of quota (deepwater, inshore, harbour and freshwater), income shares in Aotearoa Fisheries Limited and cash. The total assets that Iwi will directly receive amount to approximately half the value of the Maori fisheries settlements. This process is expected to take 5 years and is referred to as the transition period.

Aotearoa Fisheries Limited (AFL) is a commercial entity that has amalgamated the commercial interests previously held by the Treaty of Waitangi Fisheries Commission including the 50 percent shareholdings in Sealord Group and Prepared Foods Limited and the businesses previously undertaken by Moana Pacific Fisheries Limited, Chatham Processing Limited, Pacific Marine Farms Limited and Prepared Foods Processing Limited. The investment in AFL is held through a combination of voting shares and income shares, all initially held by Te Ohu Kai Moana Trustee Limited. All voting shares will be held by Te Ohu Kai Moana Trustee Limited until at least the conclusion of the substantive review noted above. Te Ohu Kai Moana Trustee Limited will initially hold all of the AFL income shares but, as noted above, progressively transfer 80% of those shares to Iwi after they are mandated and have reached quota share agreements. Te Ohu Kai Moana Trustee Limited appoints the five directors of AFL.

In March 2005, two new trusts, Te Putea Whakatupu and Te Wai Maori were established by Te Ohu Kai Moana Trustee Limited to support specific areas of interest to Iwi and Maori. Te Ohu Kai Moana Trustee Limited appoints the three directors of each corporate trustee for these two trusts.

Te Putea Whakatupu Trust will receive \$20 million at the end of the 5 year transition period so it can fund and promote the training and development of Maori individuals, including those who are interested in entering into the business and activity of fishing. Te Putea Whakatupu will receive annual funding assistance during the transition period from Te Ohu Kai Moana Trustee Limited.

Te Wai Maori Trust will receive \$10 million at the end of the 5 year transition period and a further \$10 million over the following 10 years to advance Maori interests in freshwater fisheries. It will also receive funding assistance during the transition period from Te Ohu Kai Moana Trustee Limited.

A Maori electoral college, called Te Kawai Taumata will be established to appoint future Directors on Te Ohu Kai Moana Trustee Limited who will in turn appoint future Directors to AFL, Te Putea Whakatupu and Te Wai Maori. Te Kawai Taumata will be made up of 11 representatives with one selected by each of 10 Iwi regional groupings and one by a group of specified Maori organisations.

**TREATY OF WAITANGI FISHERIES COMMISSION AND
SUBSIDIARY COMPANIES**

FINANCIAL STATEMENTS
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004

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**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

	NOTES	GROUP		COMMISSION	
		2004 14 mths \$'000	2003 12 mths \$'000	2004 14 mths \$'000	2003 12 mths \$'000
OPERATINGREVENUE	2	152,461	134,900	17,219	14,872
Operating surplus before taxation	3	7,504	12,818	4,060	2,731
Taxation	5	-	5,816	-	1,467
Net surplus after taxation		7,504	7,002	4,060	1,264
Tax paid profit attributable to minority shareholders		-	-	-	-
Share of Associate Companies surplus	12	23,182	2,906	-	-
NET SURPLUS		30,686	9,908	4,060	1,264

The notes on pages 16 to 45 form part of and are to be read in conjunction with these financial statements

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**STATEMENT OF MOVEMENTS IN EQUITY
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

	NOTES	GROUP		COMMISSION	
		2004 14 mths \$'000	2003 12 mths \$'000	2004 14 mths \$'000	2003 12 mths \$'000
Net surplus for year,		30,686	9,908	4,060	1,264
Other recognised revenue and expenses					
- Foreign Exchange Fluctuation		26	8	-	-
Total Recognised Revenue and Expenses		30,712	9,916	4,060	1,264
Purchase of Minority Interest		-	7,287	-	-
Distributions to Te Ohu Kai Moana Charitable Trust	24	-	1,085	-	1,085
Movements in Equity for the Year		30,712	1,544	4,060	179
Equity at start of the year, comprising					
- Parent Interest		477,473	468,642	372,534	372,355
- Minority Interest		-	7,287	-	-
	6	477,473	475,929	372,534	372,355
Equity as at end of the year, comprising					
- Parent Interest		508,185	477,473	376,594	372,534
- Minority Interest		-	-	-	-
	6	508,185	477,473	376,594	372,534

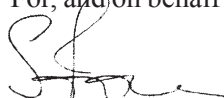
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**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**STATEMENT OF FINANCIAL POSITION
AS AT 28 NOVEMBER 2004**

	Note	GROUP		COMMISSION	
		2004	2003	2004	2003
		28 Nov \$'000	30 Sept \$'000	28 Nov \$'000	30 Sept \$'000
EQUITY					
Accumulated Funds	6	508,185	477,473	376,594	372,534
TOTAL EQUITY	6	508,185	477,473	376,594	372,534
<i>Represented by:</i>					
CURRENT ASSETS					
Cash and Bank Balances		23,326	19,755	18,271	13,575
Financial Investments	7	75,378	68,131	75,378	68,131
Accounts Receivable and Prepayments	8	26,545	19,066	2,635	374
Inventories	10	9,159	8,647	-	-
Taxation Refund Due		3,127	1,247	972	600
Total Current Assets		137,535	116,846	97,256	82,680
NON-CURRENT ASSETS					
Fixed Assets	9	15,849	15,825	642	506
Investments in Subsidiaries	11	-	-	188,247	193,412
Investments in Associates	12	181,246	166,064	-	-
Other Investments	13	219	1,189	3	1,025
Long Term Assets	14	241,212	239,019	99,790	100,703
Deferred Taxation	5	303	254	-	-
Total Non-Current Assets		438,829	422,351	288,682	295,646
TOTAL ASSETS		576,364	539,197	385,938	378,326
CURRENT LIABILITIES					
Bank Overdraft and Short Term Borrowings		7,066	3,960	-	-
Accounts Payable and Accruals	15	19,313	15,139	9,344	5,792
Long Term Borrowings – Current portion	16	32,650	650	-	-
Total Current Liabilities		59,029	19,749	9,344	5,792
NON-CURRENT LIABILITIES					
Long Term Borrowings	16	9,150	41,975	-	-
Total Non-Current Liabilities		9,150	41,975	-	-
TOTAL LIABILITIES		68,179	61,724	9,344	5,792
NET ASSETS		508,185	477,473	376,594	372,534

For, and on behalf of, the Commissioners



Shane Jones
CHAIRMAN

Te Ohu Kai Moana Trustee Limited



Wira Gardiner
DEPUTY CHAIR

Te Ohu Kai Moana Trustee Limited

The notes on pages 16 to 45 form part of and are to be read in conjunction with these financial statements

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**STATEMENT OF CASH FLOWS
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

	GROUP		COMMISSION	
	2004 14 mths \$'000	2003 12 mths \$'000	2004 14 mths \$'000	2003 12 mths \$'000
CASH FLOW FROM OPERATING ACTIVITIES				
Cash was provided from:				
Dividends received	5,505	5	-	1,600
Funds held in trust	1,654	1,581	1,654	1,581
Interest received	6,890	5,726	6,514	5,481
Receipts from customers	145,533	124,853	10,476	8,043
	159,582	132,165	18,644	16,705
Cash was applied to:				
Interest paid	3,628	3,120	-	-
Payments to suppliers and employees	136,471	113,854	11,442	11,229
Funds held on trust	4,749	1,035	4,749	1,035
Taxation paid	2,639	5,959	372	2,272
	147,487	123,968	16,563	14,536
Net Cash Flow from Operating Activities	12,095	8,197	2,081	2,169
CASH FLOW FROM INVESTING ACTIVITIES				
Cash was provided from:				
Net Proceeds from other investments	-	4,825	-	-
Sale of quota	250	7,617	-	-
Sale of fixed assets	476	915	-	-
Sale of other assets	-	-	-	1,943
Distribution from Liquidators	1,022	-	1,022	-
	1,748	13,357	1,022	1,943
Cash was applied to:				
Purchase of Government Stock and other Term Investments	9,036	1,999	9,036	1,998
Purchase of quota	2,054	920	-	-
Purchase of fixed assets	3,288	5,858	339	376
Increase in shareholding of subsidiaries	-	6,453	-	-
Purchase of other assets	137	447	-	-
	14,515	15,677	9,375	2,374
Net Cash Used in Investing Activities	(12,767)	(2,320)	(8,353)	(431)

The notes on pages 16 to 45 form part of and are to be read in conjunction with these financial statements

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

	GROUP		COMMISSION	
	2004 14 mths \$'000	2003 12 mths \$'000	2004 14 mths \$'000	2003 12 mths \$'000
CASH FLOW FROM FINANCING ACTIVITIES				
Cash was provided from:				
Bank Loans	-	2,500	-	-
Repayment of Advances from Subsidiaries	-	-	9,330	-
	-	2,500	9,330	-
Cash was applied to:				
Distributions paid to Charitable Trust	-	1,085	-	1,085
Repayment of loans and advances	616	3,239	-	-
Advances to Subsidiaries	-	-	-	5,265
	616	4,324	-	6,350
Net Cash Flow from Financing Activities	(616)	(1,824)	9,330	(6,350)
NET INCREASE/(DECREASE) IN CASH HELD				
Opening Cash Brought Forward	54,992	50,976	52,772	57,384
Exchange Rate changes on opening balance	115	(37)	-	-
CLOSING CASH HELD	53,819	54,992	55,830	52,772
Represented by:				
Cash and bank balances	23,326	19,755	18,271	13,575
Liquid financial investments	37,655	39,414	37,655	39,414
Bank overdraft and short term borrowings	(7,066)	(3,960)	-	-
Interest accrued but not received	(96)	(217)	(96)	(217)
	53,819	54,992	55,830	52,772

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**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

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

	GROUP		COMMISSION	
	2004 14 mths \$'000	2003 12 mths \$'000	2004 14 mths \$'000	2003 12 mths \$'000
NET SURPLUS AFTER TAXATION	7,504	7,002	4,060	1,264
Non-cash Items:				
Depreciation	2,736	2,456	225	122
Unrealised Foreign Exchange (gains) or losses	(115)	38	-	-
(Increase)/Decrease in deferred taxation	(49)	(637)	-	-
Other	156	290	(3,252)	2
	<u>2,728</u>	<u>2,147</u>	<u>(3,027)</u>	<u>124</u>
Movements in Working Capital Items:				
(Increase)/Decrease in accounts receivable & prepayments	(199)	2,318	(2,200)	455
(Increase)/Decrease in accrued interest	127	178	127	178
(Increase)/Decrease in inventories	(513)	(391)	-	-
Increase/(Decrease) in tax payable	(2,385)	419	(372)	(805)
Increase/(Decrease) in accounts payable & accruals	7,840	(1,400)	6,589	(205)
	<u>4,870</u>	<u>1,124</u>	<u>4,144</u>	<u>(377)</u>
Items classified as Investing and Financing Activities:				
Facility fees	56	47	-	-
Sale of Quota	(66)	(2,567)	-	-
Funds held in trust	(3,096)	546	(3,096)	546
Other	99	(102)	-	612
	<u>(3,007)</u>	<u>(2,076)</u>	<u>(3,096)</u>	<u>1,158</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	12,095	8,197	2,081	2,169

The notes on pages 16 to 45 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 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Treaty of Waitangi Fisheries Commission (“the Commission”) 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 the Treaty of Waitangi Fisheries Commission.

The Commission 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 the Commission of 20 percent of all new individually transferable quota entered onto the Quota Management system.

The Commission, its subsidiaries, associates, and joint ventures comprise the Commission Group.

The Maori Fisheries Act 2004 (the Act), enacted on 25 September 2004, provides at section 194 for the dissolution of the Commission on and from the appointed day being 29 November 2004.

On that day

- (a) *the Treaty of Waitangi Fisheries Commission is dissolved; and*
- (b) *the term of office of every member of that Commission expires; and*
- (c) *the existing undertaking of that Commission vests in Te Ohu Kai Moana Trustee Limited, except to the extent that it is already vested in Aotearoa Fisheries Limited or its subcompanies.*

These financial statements have been prepared pursuant to S197 of the Maori Fisheries Act 2004 and in accordance with Generally Accepted Accounting Practice as required by the Institute of Chartered Accountants of New Zealand.

These financial statements have been produced as the final financial statements of the Commission in the knowledge that all the undertakings are transferred to the Commission’s successor, Te Ohu Kai Moana Trustee Limited, on the day following the date to which these financial statements apply. As such, the financial statements have been prepared on a disestablishment basis.

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004****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 the Commission and its subsidiary companies, accounted for using the purchase method of consolidation. All significant transactions between the group entities have been eliminated on consolidation.

Associated companies are companies over which the Commission has the capacity to exercise significant influence. Associated companies have been reflected in the consolidated financial statements on an equity accounting basis, which shows the Commission Group's share of retained surpluses in the consolidated statement of performance, its share of total recognised revenues and expenses in the consolidated statement of movements in equity and its share of post acquisition increases or decreases in net assets in the consolidated statement of financial position.

(ii) ACCOUNTING PERIOD

In accordance with S197 of the Maori Fisheries Act 2004 these financial statements cover the period 1 October 2003 to 28 November 2004, except for Te Waka Unua Limited, its subsidiaries and associated companies, whose results cover the period 1 July 2003 to 28 November 2004.

(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.

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

(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 the Commission, the parent entity, are stated in the accounts at cost.

Investments in Government Stock and fixed rate bonds 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 or net realisable value. Dividend income is recognised in the statements of financial performance when received or provided for.

(vi) INDIVIDUALLY TRANSFERABLE QUOTA AS REPRESENTED BY QUOTA SHARES

Quota transferred from the Crown to the Commission is recorded at the equivalent value determined by the Crown on each transfer date. Quota shares purchased by the group are recorded at cost. Quota shares are not depreciated. No adjustment for TACC changes or new species introduced to the quota management system have been reflected in these values.

(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). This Act was repealed by the Aquaculture Reforms (Repeals and Transitional Provisions) Act 2004 which came into force on 1 January 2005. The value of the leases and licences are not amortised as the values in the financial statements are considered to reflect fair value for these assets. The leases and licences have a maximum term of 14 years. Under the new Act, all leases and licenses granted under the MFA are deemed to be coastal permits under the Resource Management Act 1991 (RMA), and are to be treated as if they had been granted for a term of 20 years from the date of the commencement of the new legislation – that is, 1 January 2005.

(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.

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

Major depreciation periods are:

Buildings	10-50 years
Plant and Machinery	2-20 years
Vessels	3-25 years
Furniture and Equipment	2-10 years
Motor Vehicles	3-5 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.

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 or net realisable value determined on a weighted average cost basis.

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

(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) EMPLOYEE ENTITLEMENTS

Liabilities for annual, and long service leave are accrued and recognised in the statement 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.

(xv) FINANCIAL INSTRUMENTS

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

The net differential paid or received on interest rate 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 in 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.

(xvi) CHANGES IN ACCOUNTING POLICIES

1. All accounting policies have been applied on bases consistent with those used in previous years.

The enactment of the Maori Fisheries Act 2004 (the Act) provides for the dissolution of the Commission, the preparation of a final report and the presentation of the final report to the Minister of Maori Affairs and subsequently to Parliament.

**TREATY OF WAITANGI FISHERIES COMMISSION
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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The requirements of the Act impact on accounting policies as follows:

(A) Going Concern

S194 (1) of the Maori Fisheries Act 2004 states:

On and from the appointed day,-

- (a) the Treaty of Waitangi Fisheries Commission is dissolved: and*
- (b) the term of office of every member of that Commission expires, and*
- (c) the existing undertaking of that Commission vests in Te Ohu Kai Moana Trustee Limited, except to the extent that it is already vested in Aotearoa Fisheries Limited or its subcompanies.*

For the purposes of section 194 existing undertaking is defined as including

All assets, whether in the form of quota shares, interests, rights, or liabilities, that, immediately before the appointed day, are owned, controlled, or held by-

- (a) the Treaty of Waitangi Fisheries Commission; or*
- (b) any company or other commercial entity, to the extent that it is owned or controlled by the Treaty of Waitangi Fisheries Commission.*

(B) Reporting Period

In accordance with S197 of the Act this financial report covers the period from 1 October 2003 to 28 November 2004. Comparatives are for the twelve months to 30 September 2003.

2. Taxation

The Inland Revenue Department have agreed that the Commission and its 100% owned subsidiaries as at 30 September 2000 are charitable entities for the purposes of the Income Tax Act 1994. No provision for taxation has therefore been made for those qualifying entities in the current reporting period. No adjustment has been made to the prior years taxation provisions or expenditure as the methodology for calculating over paid taxes has not been agreed with the Inland Revenue Department at the date of preparing this report.

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

2. OPERATING REVENUE

	GROUP		COMMISSION	
	2004	2003	2004	2003
	14 mths	12 mths	14 mths	12 mths
	\$'000	\$'000	\$'000	\$'000
Revenue from trading activities	143,354	125,683	7,348	7,690
Dividends	5	5	-	1,600
Foreign currency exchange gains - Realised	1,782	-	-	-
Interest	6,771	5,537	6,365	5,303
Surplus from the disposal of assets	56	706	-	-
Surplus from the disposal of quota	66	2,567	3,252	-
Sundry income	427	402	254	279
	152,461	134,900	17,219	14,872

3. OPERATING SURPLUS BEFORE TAXATION

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

	GROUP		COMMISSION	
	2004	2003	2004	2003
	14 mths	12 mths	14 mths	12 mths
	\$'000	\$'000	\$'000	\$'000
Audit Fees: Audit New Zealand				
auditing the Financial Statements	55	38	55	38
other services	-	-	-	-
Audit Fees: Other Auditors				
auditing the Financial Statements	163	107	-	-
audit of Associates	436	152	265	-
other services	39	91	-	-
Bad Debts	159	40	-	-
Movement in Provision for Doubtful Debts	34	(20)	-	-
Depreciation - Buildings (Freehold)	191	135	-	-
- Buildings (Leasehold)	91	99	-	-
- Plant and Machinery	1,296	1,222	-	-
- Vessels	51	49	-	-
- Furniture and Equipment	421	339	225	122
- Motor vehicles	483	442	-	-
- Marine Farm Structures	203	171	-	-
Foreign currency exchange losses – Realised	48	870	-	-
Foreign currency exchange gains – Unrealised	-	(463)	-	-
Interest: Term loans	3,350	2,899	-	-
Other term funding	196	27	-	-
Rental and operating lease costs	1,889	1,343	354	293

**TREATY OF WAITANGI FISHERIES COMMISSION
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

4. COMMISSIONERS' AND DIRECTORS' REMUNERATION

Commissioners are appointed to the Commission 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 the Commission's interests on various industry bodies and subsidiaries. Remuneration received, or due and receivable, by Commissioners and Directors from the Commission and its subsidiaries and associated companies, including joint ventures where the Commission does not have a controlling interest, are as follows:

	GROUP		COMMISSION	
	2004	2003	2004	2003
	14 mths \$'000	12 mths \$'000	14 mths \$'000	12 mths \$'000
Annual Commissioner Fees	236	202	236	202
Other Commissioner Remuneration	459	475	459	475
Remuneration paid to Commissioners as Directors of subsidiaries and associates	214	222	-	-
Remuneration paid by subsidiaries and associates to Directors who are not Commissioners	383	348	-	-

Remuneration received by individual Commissioners is set out below:

Name of Commissioner	Total Range of Remuneration Received			
	2004 14 mths		2003 12 mths	
	from \$	to \$	from \$	to \$
Wira Gardiner (from September 04)	-	9,999	-	-
Rangimarie Parata-Takurua (from September 04)	-	9,999	-	-
Dame Georgina Kirby (from September 04)	-	9,999	-	-
June Jackson	10,000	19,999	20,000	29,999
June Mariu (to September 04)	10,000	19,999	20,000	29,999
Rob McLeod (from September 04)	10,000	19,999	40,000	49,999
Ken Mason	20,000	29,999	40,000	49,999
Hon Koro Wetere	30,000	39,999	40,000	49,999
Toro Waaka	30,000	39,999	30,000	39,999
Naida Glavish	30,000	39,999	50,000	59,999
Archie Taiaroa	70,000	79,999	50,000	59,999
Maui Solomon	130,000	139,999	110,000	119,999
Craig Ellison	200,000	209,999	200,000	209,999
Shane Jones	290,000	299,999	230,000	239,999

**TREATY OF WAITANGI FISHERIES COMMISSION
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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In September 2004, the Minister of Maori Affairs announced the appointment of the new Commission. The new Commission was made up of nine members retained from the previous Commission and four new members. The number of commissioners receiving remuneration during the period was therefore increased to fourteen. Commissioner Rob McLeod resigned as a Commissioner on 7 April 2003 and was reappointed on 14 September 2004. Commissioner June Mariu retired on 14 September 2004.

5. TAXATION

	GROUP		COMMISSION	
	2004 14 mths \$'000	2003 12 mths \$'000	2004 14 mths \$'000	2003 12 mths \$'000
Operating surplus before taxation	7,504	12,818	4,060	2,731
Prima facie taxation at 25%	-	3,205	-	682
Plus taxation effect of permanent differences	-	2,882	-	1,056
Less taxation effect of distributions		(271)	-	(271)
Taxation charge	-	5,816	-	1,467
<i>This taxation charge is represented by:</i>				
Current taxation	49	6,506	-	1,467
Deferred taxation	(49)	(690)	-	-
	-	5,816	-	1,467
Deferred taxation				
Opening balance	(254)	383	-	-
Movement in Deferred tax	(49)	(637)	-	-
Deferred tax asset	(303)	(254)	-	-

The Commissioner of Inland Revenue has agreed that the Commission and its 100% owned subsidiaries, as at 30 September 2000, are charitable entities for the purposes of the Income Tax Act 1994 for the period from the beginning of the 2001 taxation year until the Appointed Day being 29 November 2004. Excluded from this qualifying group was the Moana Pacific Fisheries group of companies. The decision will create a tax receivable for those qualifying entities for taxation paid for the period from the commencement of the 2001 taxation year to the Appointed Day. It will also require the reversal of any subvention payments and loss offsets between those 100% owned entities and those members of the Group not wholly owned.

No tax has been provided as payable by the qualifying group for the report period as a result of the Commissioner of Inland Revenue's decision. The refunds, if any, arising from prior years have not been treated as refundable in this financial report as the methodology for calculating them has yet to be agreed with the Commissioner of Inland Revenue. Similarly, adjustments for any reductions of deferred tax have not been made until the methodology for transferring the entities into and out of the tax free regime have been agreed.

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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Further the Maori Fisheries Act 2004 provides at section 195 that should “the Commissioner of Inland Revenue grant a refund in respect of taxation paid at any time before the appointed day by the Treaty of Waitangi Fisheries Commission” or any company or subsidiary of a company owned by the Commission, then he must “pay the full amount of the assessed refund (if any), together with any interest payable under Part V11 of the Tax Administration Act 1994, to Te Ohu Kai Moana Trustee Limited.” Refunds arising from taxation paid during the reporting period have been shown as an asset in the Statement of Financial Position. The amount of the refunds to be paid to Te Ohu Kai Moana Trustee Limited arising from the Commissioner of Inland Revenue’s decision, are expected to be approximately \$12 million.

The Commission was previously treated as a Maori Authority for taxation purposes. Income tax at 25% was levied on the assessable income of the Commission. The comparatives for the 2003 financial year are calculated and disclosed on this basis.

The Commission, being a Maori Authority, was not required to maintain an imputation credit account, nor could it distribute imputation credits. Credits held in subsidiary companies and available to the Commission have not been accrued in these financial statements as they would only become available to the Commission when attached to dividends received by the Commission. With the vesting of the existing undertaking of the Commission in either Te Ohu Kai Moana Trustee Limited or Aotearoa Fisheries Limited on 29 November 2004, all imputation credits remaining within subsidiary companies became available to either of those entities when attached to any future dividends paid.

Tax losses of \$21.4 million (2003 \$3.9 million), with a tax effect of \$7.0 million (2003 \$1.3 million) are available to be carried forward. These losses in subsidiaries cannot be utilised directly by the Commission, but remain available for future use under the new structure.

**TREATY OF WAITANGI FISHERIES COMMISSION
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

6. ACCUMULATED FUNDS

	GROUP		COMMISSION	
	2004	2003	2004	2003
	28 Nov \$'000	30 Sept \$'000	28 Nov \$'000	30 Sept \$'000
Retained Earnings	224,406	193,720	95,832	91,772
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	80	54	-	-
ACCUMULATED FUNDS	508,185	477,473	376,594	372,534
Minority Interest	-	-	-	-
TOTAL EQUITY	508,185	477,473	376,594	372,534

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

	Average Interest Rate % pa	GROUP		COMMISSION	
		2004	2003	2004	2003
		28 Nov \$'000	30 Sept \$'000	28 Nov \$'000	30 Sept \$'000
Liquid Financial Investments	6.7	37,655	39,414	37,655	39,414
Government Stock	6.3	5,075	5,118	5,075	5,118
Other Term Investments	6.7	32,648	23,599	32,648	23,599
		75,378	68,131	75,378	68,131

Liquid financial investments are normally held for 90 days or less, and are readily convertible to cash within 48 hours. Government Stock and other term investments including fixed rate bonds are normally held until maturity.

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	GROUP		COMMISSION	
	2004	2003	2004	2003
	28 Nov \$'000	30 Sept \$'000	28 Nov \$'000	30 Sept \$'000
Trade receivables	11,071	7,708	1,398	82
Intra-group receivables	-	-	761	
Other receivables	2,514	2,470	476	292
Prepayments	4,960	3,388	-	-
Dividends Receivable from Associates	8,000	5,500	-	-
	<u>26,545</u>	<u>19,066</u>	<u>2,635</u>	<u>374</u>

9. FIXED ASSETS

	GROUP			GROUP		
	2004		Book Value \$'000	2003		Book Value \$'000
	Cost \$'000	Accum Depn \$'000		Cost \$'000	Accum Depn \$'000	
Land	4,753	-	4,753	4,754	-	4,754
Buildings (Freehold)	4,324	1,551	2,773	3,845	1,388	2,457
Buildings (Leasehold)	1,670	534	1,136	1,624	416	1,208
Plant and Machinery	13,802	10,895	2,907	12,924	9,808	3,116
Vessels	573	267	306	707	311	396
Furniture and Equipment	3,966	2,937	1,029	3,472	2,558	914
Motor Vehicles	5,886	4,251	1,635	4,978	4,012	966
Capital Work in Progress	186	-	186	747	-	747
Marine Farm Structures	2,480	1,356	1,124	2,420	1,153	1,267
TOTAL	<u>37,640</u>	<u>21,791</u>	<u>15,849</u>	<u>35,471</u>	<u>19,646</u>	<u>15,825</u>

	COMMISSION			COMMISSION		
	2004		Book Value \$'000	2003		Book Value \$'000
	Cost \$'000	Accum Depn \$'000		Cost \$'000	Accum Depn \$'000	
Furniture & Equipment	1,627	985	642	1,266	760	506

The fair value of the land and buildings is considered to be \$12.3 million (2003 \$11.6 million). This value is based on the latest government valuations for all land and buildings except for one parcel of land purchased during the 2003 financial year. This parcel is included at the amount assessed by a registered valuer at the time the property was purchased and which is considered to be fair value.

**TREATY OF WAITANGI FISHERIES COMMISSION
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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10. INVENTORIES

	GROUP	
	2004	2003
	28 Nov	30 Sept
	\$'000	\$'000
Raw materials	668	593
Finished goods	7,434	7,001
Packaging materials and fish bins	1,057	1,053
	9,159	8,647
	9,159	8,647

11. INVESTMENTS IN SUBSIDIARIES

The significant subsidiaries, joint ventures and associated companies of the Commission 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 the Commission.

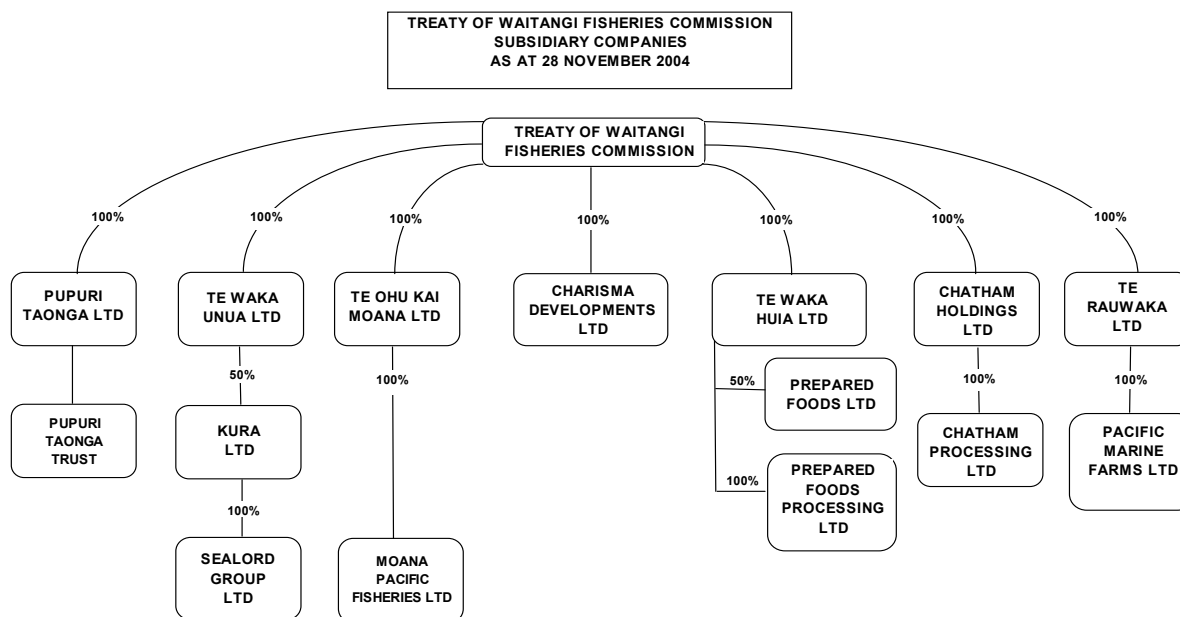
The Commission had a policy of funding the majority of its subsidiaries by way of intra-group advances rather than through the issue of share capital. Prior to balance date, the majority of those advances were converted into equity through the issue of new shares by each subsidiary to the Commission with the consideration being the repayment in full of the outstanding loan.

	COMMISSION	
	2004	2003
	28 Nov	30 Sept
	\$'000	\$'000
Equity investments in subsidiaries	176,723	115,502
Advances to subsidiaries	11,524	77,910
	188,247	193,412
	188,247	193,412

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 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004



This diagram represents the significant operating subsidiaries and associated companies of the Treaty of Waitangi Fisheries Commission (“the Commission”). Kura Limited and Prepared Foods Limited are treated as associated companies. Pupuri Taonga Limited is a corporate trustee that has legal title in quota shares held on behalf of the beneficiaries in the Pupuri Taonga Trust. An agreement between Pupuri Taonga Trust and Sealord Group Limited governs the use of the annual catch entitlement relating to those quota shares.

Charisma Developments Limited was the Company used by the Commission to acquire where possible and hold the shortfall of quota shares representing 10% of the quota shares in the Quota Management System not transferred by the Crown to the Commission under the Maori Fisheries Act 1989. The assets held within this company form part of the assets to be allocated to Iwi in accordance with the Maori Fisheries Act 2004.

During the 2003 year the Commission purchased the remaining balance of shares in Moana Pacific Fisheries Limited held by Te Kupenga Limited. Te Kupenga Limited was subsequently put into voluntary liquidation by its shareholders with liquidation completed on 18 March 2004.

On 29 November 2004 pursuant to the Maori Fisheries Act 2004, the existing undertaking, including all assets and liabilities, in the above companies vested in Aotearoa Fisheries Limited, with the exception of Charisma Developments Limited which vested in Te Ohu Kai Moana Trustee Limited.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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12. INVESTMENTS IN ASSOCIATES

	GROUP	
	2004	2003
	28 Nov	30 Sept
	\$'000	\$'000
Share of Associates' pre tax surplus	36,121	8,170
Income Tax	(12,939)	(5,264)
Share of Associates' tax paid surplus	23,182	2,906
Dividends received and receivable from Associates	(8,000)	(8,381)
Group share of profit on sale of quota shares	-	(2,566)
Equity Accounted Movement in Investment	15,182	(8,041)
Share of Decrease/Increase in Associates Equity since Acquisition	10,833	(4,349)
Cost of Investments in Associates	170,413	170,413
Equity Accounted Value of the Investment	181,246	166,064

Details of significant associates

	Interest held by Group %
Sealord Group Limited	50%

The investment in Sealord Group Limited held through a 50% shareholding in Kura Limited is shown as an Investment in Associates in the statements of financial position. At balance date \$8 million (2003 \$5.5 million) of dividends were declared and receivable from Sealord Group Limited.

13. OTHER INVESTMENTS

	GROUP		COMMISSION	
	2004	2003	2004	2003
	28 Nov	30 Sept	28 Nov	30 Sept
	\$'000	\$'000	\$'000	\$'000
Te Kupenga Limited	-	1,022	-	1,022
Other Investments in Unlisted Companies	3	3	3	3
Other Investments	216	164	-	-
	219	1,189	3	1,025

Te Kupenga Limited was put into voluntary liquidation by its shareholders in October 2003. The investment in Te Kupenga was re-valued to reflect the expected distribution to be received from the liquidation. The liquidation was completed on 18 March 2004 with distributions equivalent to the revalued amount.

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As major participants in the New Zealand fishing industry the Commission 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. The Commission 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
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

14. LONG TERM ASSETS

	GROUP		COMMISSION	
	2004 28 Nov \$'000	2003 30 Sept \$'000	2004 28 Nov \$'000	2003 30 Sept \$'000
Individual Transferable Quota	231,614	229,743	99,790	100,703
Marine Farm Leases	8,716	7,866	-	-
Other	882	1,410	-	-
	<u>241,212</u>	<u>239,019</u>	<u>99,790</u>	<u>100,703</u>

Individually Transferable Quota as Represented by Quota Shares

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

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

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On 28 November 2004, as part of the process of transferring commercial assets to Aotearoa Fisheries Limited, the Commission sold surplus quota to Hygrade Seafoods Limited, a wholly owned subsidiary. Hygrade Seafoods Limited was transferred to Aotearoa Fisheries Limited on 29 November 2004.

An indication of the value of the Group's quota holdings can be obtained by using the average traded price for the year for each fishstock as reported by Commercial Fisheries Services Ltd ("FishServe"). This is an indication only and may be different to what could be realised in a sale transaction.

Using the FishServe numbers for the year ending 30 September 2004 the value of the Group's quota holdings, excluding that quota held by the Pupuri Taonga Trust, would be \$570.1 million (2003 \$578.3 million) and for the Commission would be \$317.6 million (2003 \$327.9 million).

The following new species and fishstocks were introduced into the Quota Management System (QMS) during the current financial period. The Commission is entitled to receive 20 percent of any new fishstocks brought into the QMS in accordance with the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992. The shares allocated to the Commission are shown in the table.

Species	Fishstocks	Quota Shares Allocated	ACE Weight (mt) for 2003/04
1 October 2003:			
Cockle	COC 3	1 x 20,000,000	294.000
Longfin Eel	LFE 17	1 x 20,000,000	0.200
Shortfin Eel	SFE 17	1 x 20,000,000	2.000
Kingfish	KIN 1,2,3,7,8,10	6 x 20,000,000	39.800
Leatherjacket	LEA 1,2,3,4,10	5 x 20,000,000	286.200
Rough skate	RSK 1,2,7,8,10	5 x 20,000,000	397.200
Smooth Skate	SSK 1,3,7,8,10	5 x 20,000,000	169.800
Kina	SUR 1A, 1B, 2A, 2B, 8,9,10	7 x 20,000,000	60.200
1 April 2004			
Giant Spider Crab	GSC 1,3,5,6A,6B,10	6 x 20,000,000	83.800
Horse Mussel	HOR 1,2,3,4,5,6,7,8,9,10	10 x 20,000,000	5.800
King Crab	KIC 1,2,3,4,5,6,7,8,9,10	10 x 20,000,000	18.000
Red Crab	CHC 1,2,3,4,5,6,7,8,9,10	10 x 20,000,000	9.600
Sea Cucumber	SCC 1A, 1B, 2A, 2B, 3, 4,5A,5B,6,7A,7B,7D,8,9, 10	15 x 20,000,000	7.000
Surf Clams			
Friiled Venue Shell	BYA 1,2,3,4,5,7,8,9	8 x 20,000,000	3.200
Ringed Dosinia	DAN 1,2,3,4,5,7,8,9	8 x 20,000,000	22.400
Silky Dosinia	DSU 1,2,3,4,5,7,8,9	8 x 20,000,000	1.600
Trough Shell	MDI 1,2,3,4,5,7,8,9	8 x 20,000,000	19.600
Large Trough Shell	MMI 1,2,3,4,5,7,8,9	8 x 20,000,000	32.400
Deepwater Tuatua	1,2,3,4,5,7,8,9	8 x 20,000,000	33.600
Triangle Shell	SAE 1,2,3,4,5,7,8,9	8 x 20,000,000	81.200

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

1 October 2004			ACE Weight (mt) for 2004/05
Big Eye Tuna	BIG 1	1 x 20,000,000	142.800
Blue Shark	BWS 1	1 x 20,000,000	372.000
Green-lipped Mussel	GLM 1,2,3,7A,7B,8,9,10	8 x 20,000,000	335.000
Kahawai	KAH 1,2,3,4,8,10	6 x 20,000,000	605.000
Lookdown Dory	LDO 1.3.10	3 x 200,000	156.400
Longfin Eel	LFE 20,21,22,33	4 x 20,000,000	38.600
Mako Shark	MAK 1	1 x 20,000,000	81.200
Moonfish	MOO 1	1 x 20,000,000	105.400
Parore	PAR 1,2,9,10	4 x 20,000,000	16.800
Porae	POR 1,2,3,10	4 x 20,000,000	14.000
Porbeagle Shark	POS 1	1 x 20,000,000	43.000
Pipi	PPI 1A	1 x 20,000,000	40.000
Ray's bream	RBM 1	1 x 20,000,000	196.000
Red Snapper	RSN 1,2,10	3 x 20,000,000	29.000
Scampi	SCI 1,2,3,4A,5,6A,6B,7,8,9,10	11 x 20,000,000	258.200
Shortfin Eel	SFE 20,21,22,23	4 x 20,000,000	91.400
Spiny Dogfish	SPD 1,3,4,5,7,8,10	7 x 20,000,000	2532.000
Southern Bluefin Tuna	STN 1	1 x 20,000,000	82.600
Swordfish	SWD 1	1 x 20,000,000	177.000
Pacific Bluefin Tuna	TOR 1	1 x 20,000,000	23.200
Yellowfin Tuna	YFN 1	1 x 20,000,000	52.600

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

Marine Farm Leases and Licences

Leases and licences expire as follows:

	GROUP	
	2004 28 Nov ha	2003 30 Sept ha
Within one year	-	-
One to two years	23.4	-
Two to five years	12.0	12.0
Over five years	175.0	170.4
Total	<u>210.4</u>	<u>182.4</u>

The Marine Farming Act 1971 (MFA) was repealed by the Aquaculture Reform (Repeals and Transitional Provisions) Act 2004. Under the new Act, all leases and licenses granted under the MFA are deemed to be coastal permits under the Resource Management Act 1991 (RMA), and are to be treated as if they had been granted for a term of 20 years from the date of the commencement of the new legislation – that is, 1 January 2005.

Under the new aquaculture legislation, an application by an existing permit holder for renewal of their coastal permit must be processed and determined before any other application for the space the permit applies to. A number of criteria will be considered by the consent authority, including the applicant's compliance with the relevant regional coastal plan, resource consent conditions and use of current industry good practice for any current aquaculture activities. These provisions can be overridden if a plan change removes the Aquaculture Management Area within which the site is located, or the council adopts another method to allocate space for marine farming.

15. ACCOUNTS PAYABLE & ACCRUALS

	GROUP		COMMISSION	
	2004 28 Nov \$'000	2003 30 Sept \$'000	2004 28 Nov \$'000	2003 30 Sept \$'000
Trade Payables	4,264	5,541	2,095	815
Employee entitlements	1,687	1,687	178	108
Income Received in Advance	5,849	-	5,849	-
Other Payables	6,894	4,194	603	1,152
Funds held on Trust	619	3,717	619	3,717
	<u>19,313</u>	<u>15,139</u>	<u>9,344</u>	<u>5,792</u>

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

FUNDS HELD ON TRUST

These funds have arisen from disputes over representation and mandate issues relating to quota lease and annual access distribution rounds. The funds are held on deposit awaiting resolution of each dispute. The funds held on Trust were treated as Maori Authorities for taxation purposes. The rules relating to the taxation of Maori Authorities changed with effect from the financial year beginning on or after 1 April 2004. For the funds held in trust by the Commission, the date for the change was therefore 1 October 2004. Up until this date distributions from the funds held usually entitled the fund to receive a refund of any taxes paid on that part of the fund distributed. As at 1 October any taxes paid or payable on funds held became final taxes not refundable on any subsequent distribution. The comparative 2003 figures are therefore shown gross in the expectation that any tax paid would be refundable. The 2004 amounts are shown after the deduction of taxes paid.

We have received advice that the funds held on trust for these disputes are not eligible for Maori Authority status under the new rules. Future income from 1 October 2004 will therefore be taxed at the normal trustee rate of 33% and any distributions made from trust capital will be distributed tax free.

A number of disputes were resolved during the current period enabling substantial amounts of the funds held to be distributed prior to the 1 October 2004 change in rules.

The Commission 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, are listed below.

In some cases the amounts cover disputes involving several lease and annual access distribution rounds.

	2004	2003
	28 Nov	30 Sept
	\$	\$
Taranaki Iwi	-	22,720
Ngati Kahu	5,286	163,891
CRA 9 Iwi	59,855	69,720
Ngati Mutunga o Wharekauri and Te Runanga o Wharekauri Rekohu	-	174,064
Ngati Kuri	261,102	188,812
Rangitane / Kahungunu	-	3,976,224
Rongomaiwahine / Kahungunu	173,905	210,188
Ngaruahine	-	219,389
Ngati Maru	-	65,458
Ngaitakoto	103,281	130,515
Coromandel Scallops	14,277	12,450
Ngati Ruanui	1,458	1,894
Ngati Mutunga	-	48,235

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

16. LONG-TERM BORROWINGS

	GROUP		COMMISSION	
	2004 28 Nov \$'000	2003 30 Sept \$'000	2004 28 Nov \$'000	2003 30 Sept \$'000
Term loans	41,800	42,625	-	-
Less Current portion	32,650	650	-	-
Term portion	9,150	41,975	-	-

Repayable as follows:

	GROUP		COMMISSION	
	2004 28 Nov \$'000	2003 30 Sept \$'000	2004 28 Nov \$'000	2003 30 Sept \$'000
One to two years	650	32,650	-	-
Two to three years	650	650	-	-
Three to four years	650	650	-	-
Four to five years	650	650	-	-
Over five years	6,550	7,375	-	-
	9,150	41,975	-	-

	2004	2003
Average Interest Rates % pa.	6.7	6.7

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.

Security

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

Bank Overdrafts

The bank overdrafts are secured over the assets and undertakings of particular companies of the group by way of composite debentures. The Commission 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 the Commission.

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

17. TRANSACTIONS WITH RELATED PARTIES

Commissioner links with Iwi and industry interests play an important role in the work of the Commission. 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.

The Commission holds a register of interests for all Commissioners and relevant staff.

During the year the Group paid consultancy fees to Ernst & Young for a number of projects undertaken in relation to the operations of individual members of the Group. Ernst & Young are the auditors of Sealord Group Limited and Moana Pacific Fisheries Limited. Robert McLeod, who resigned as a Commissioner from 7 April 2003, was also the Chairman of Ernst & Young during that period. As reported last year, fees paid to Ernst & Young for the period to 7 April 2003 totalled \$624,000. Commissioner McLeod resigned from Ernst & Young prior to his re-appointment to the Commission in September 2004.

Craig Ellison is a Director of NZ Trade and Enterprise. During the year members of the Group sought information on various international markets from NZ Trade and Enterprise. Fees charged by NZ Trade and Enterprise amounted to \$65,846 (2003 \$25,600). In 2004 NZ Trade and Enterprise contributed \$5,000 towards the cost of the Maori Commercial Fisheries Conference.

18. SEGMENTAL REPORTING

The Group operates predominantly in one industry. The Group's operations include the catching, processing, distribution and marketing of seafood 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.

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

19. CONTINGENT LIABILITIES

At balance date the Commission was involved in 8 separate legal proceedings.

- There were two judicial review proceedings challenging the decision of the Commission not to recognise applications to become an Iwi for fisheries purposes. While in both cases there is no monetary claim sought, one of the plaintiffs has continued to pursue proceedings with the hearing likely to be in the second half of 2005. Should this proceeding continue to a full hearing in the High Court, the legal costs are estimated to be \$50,000. In the other case, it is extremely unlikely that there will be any further activity given the enactment of the Maori Fisheries Act 2004.
- A further judicial review challenging the Commission's proposal for the allocation of pre-settlement and post-settlement assets is still current. Although there have been no indication matters will be pursued further there could be potential costs of up to \$40,000.

Three other proceedings are also applications for judicial review and do not involve monetary claims. However, there is likely to be legal costs of up to \$10,000 in connection with residual cost issues and securing formal discontinuance of all subsidiary proceedings that have not gone to trial.

One proceeding is now at an end due to the enactment of the Foreshore and Seabed Bill in December 2004.

- In 1998 the Maori Land Court declared the Wakapuaka Mudflats to be Maori Freehold land. There is no monetary amount sought in this proceeding as neither the Commission nor Te Ohu Kai Moana Trustee Limited is a party to the proceedings. However should Te Ohu Kai Moana Trustee Limited make a commitment to support the Maori owners in this proceeding and the proceeding continues to a full hearing in the High Court the legal costs would be approximately \$35,000. Attempts to resolve the issues through political means have been unsuccessful. The Crown has now sought to reactivate proceedings and is likely to proceed to trial in the second half of 2005.
- At 30 September 2003 a monetary sum of \$171,719 was being sought from the Commission by plaintiffs in relation to the leasing of quota by the Commission to Southern Ocean Trawlers Limited (in receivership). This matter has now been resolved by mediation and is no longer outstanding.
- Group share of associate bank guarantees from which it is anticipated that no material liability will arise is \$6.9 million (2003 \$6.1 million).

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

20. COMMITMENTS

	GROUP		COMMISSION	
	2004 28 Nov \$'000	2003 30 Sept \$'000	2004 28 Nov \$'000	2003 30 Sept \$'000
a Capital Expenditure	200	104	180	-
b Operating Lease Commitments				
Payable within one year	910	1,260	306	297
One to two years	519	625	301	289
Two to five years	1,141	1,102	885	844
Beyond five years	-	13	-	-
	2,570	3,000	1,492	1,430

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 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

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

	GROUP			
	2004		2003	
	28 Nov	30 Sept	28 Nov	30 Sept
	To pay \$'000	To receive \$'000	To pay \$'000	To receive \$'000
Foreign currency forward exchange contracts	18,895	20,106	12,950	13,342

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

The Commission (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	
	2004	2003	2004	2003
	28 Nov	30 Sept	28 Nov	30 Sept
	\$'000	\$'000	\$'000	\$'000
Interest rate swaps	15,000	15,000	-	-

These interest rate swap contracts have termination dates maturing between 31 March 2005 and 30 March 2006 and are at fixed rates ranging from 6.09% to 6.26%. Not included above are \$10 million of additional interest rate swaps that were entered into before balance date with termination dates maturing between 29 September 2006 and 30 March 2007 at fixed rates ranging from 6.35% to 6.44, as they do not take effect until after balance date.

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

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			
	2004		2003	
	28 Nov		30 Sept	
	Carrying value	Fair value	Carrying Value	Fair Value
	\$'000	\$'000	\$'000	\$'000
Interest rate swaps	-	114	-	(135)
Forward foreign exchange contracts	-	1,211	-	392
	-	1,325	-	257

The following methods and assumptions were used to estimate the fair value of each class at balance date:

Interest Rate Swaps:

The fair value of these classes of financial instrument is estimated based on current interest rates and the maturity profile of all contracts entered into by the group as at 28 November 2004.

Forward foreign exchange contracts and currency options:

The fair value of these classes of financial instruments is based on the variance between contracts at their contract rates and the prevailing spot rates at year end. Fair values on currency options have been assessed based on the comparison of the transactions (put vs call) to the prevailing year-end exchange rates. There were no currency options in place at balance date.

22. MAORI FISHERIES ACT 2004

In May 2003 the Commission presented to the Minister of Fisheries its report on a model for allocation of the Fisheries Settlement assets.

Included in the report was a draft of proposed legislation for a new Maori Fisheries Act.

On the 8th of June 2003 the Minister of Fisheries, Peter Hodgson, advised that the Government had accepted the model, stating that "He Kawai Amokura conformed to the requirements for the 1993 Fisheries Deed of Settlement and the Maori Fisheries Act 1989". Legislation to implement the new Maori Fisheries Bill had its first reading in Parliament on the 4th December 2003.

The Maori Fisheries Act 2004 (the Act) came into force on 25 September 2004.

TREATY OF WAITANGI FISHERIES COMMISSION AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004

The Act provides the legal framework for the allocation, transfer and management of Maori Fisheries Settlement assets. It requires the establishment of a number of entities to carry out various functions and roles required under the Act. Those entities include Te Ohu Kai Moana and Te Ohu Kai Moana Trustee Limited, Aotearoa Fisheries Limited, Te Putea Whakatupu and Te Putea Whakatupu Trustee Limited, Te Wai Maori and Te Wai Maori Trustee Limited.

It also specifies:

- the assets to be allocated and how they are to apportioned;
- which organisations will receive assets and what legal requirements they must meet prior to receiving the assets;
- the roles and functions of Te Ohu Kai Moana (Te Ohu), Te Putea Whakatupu Trust, Te Wai Maori Trust, their respective corporate trustees and Aotearoa Fisheries Limited (AFL);
- the mechanisms by which Iwi, Te Ohu, AFL, and the other two Trusts will be accountable to Iwi and individual Maori.

Te Ohu Kai Moana Trustee Limited is the corporate trustee of the new trust the Commission established under the Act. Aotearoa Fisheries Limited is the company required by the Act to be formed to manage the assets transferred to it by the Treaty of Waitangi Fisheries Commission.

The Act also provides for the dissolution of the Commission “on and from the appointed day”, that day being the 29 November 2004. Section 194 of the Act provides that:

- (1) *On and from the appointed day, -*
- (a) *The Treaty of Waitangi Fisheries Commission is dissolved; and*
 - (b) *the term of office of every member of that Commission expires; and*
 - (c) *the existing undertaking of that Commission vests in Te Ohu Kai Moana Trustee Limited, except to the extent that it is already vested in Aotearoa Fisheries Limited or its subcompanies, as contemplated by section 75(2).*
- (2) *A member of the Treaty of Waitangi Fisheries Commission is not entitled to compensation as a result of the expiry under this section of his or her term of office.*

Part 3 of the Act sets out the methodology for the allocation and transfer of settlement assets to Iwi and other organisations. Once an Iwi has met the criteria to become a Mandated Iwi Organisation, been recognised by Te Ohu Kai Moana Trustee Limited as meeting that criteria, and holds relevant registered coastline and harbour entitlements, the Act requires Te Ohu Kai Moana Trustee Limited to:

- a) allocate settlement assets to that Iwi in accordance with the Act;
- b) transfer the allocated cash assets to the Mandated Iwi Organisation of that Iwi; and

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

- c) transfer the settlement quota and income shares to one or more of the asset-holding companies of the Mandated Iwi Organisation.

Te Ohu Kai Moana Trustee Limited is also required under the Act to transfer settlement asset money as follows:

- a) \$20 million to Te Putea Whakatupu Trustee Limited by 31 October 2009
- b) \$10 million to Te Wai Maori Trustee Limited by 31 October 2009
- c) \$5 million to Te Ohu Kai Moana Trustee Limited as capital
- d) \$8.2 million to Iwi in lieu of quota shares where Te Ohu Kai Moana Trustee Limited holds less than 10 million shares in that stock
- e) \$2.7 million to 7 specified Iwi who would otherwise receive less than \$1 million in settlement assets
- f) \$18 million to fund transitional arrangements
- g) \$20.7 million to Iwi according to each Iwi's share of the total notional Iwi population
- h) \$10 million to Te Wai Maori Trustee Limited following the payment in (b) above in annual installments of at least \$1 million.

All commercial assets held within the Commission apart from the financial investments and cash and those assets within Charisma Developments Limited were transferred to Aotearoa Fisheries Limited (AFL), the company established under the Maori Fisheries Act 2004. Following the transfer AFL holds the 50 percent shareholdings in Sealord Group Limited & Prepared Foods Limited, and 100 percent ownership of Moana Pacific Fisheries Limited, Chathams Processing Limited, Pacific Marine Farms Limited, Prepared Foods Processing Limited and all their associated assets and liabilities.

Te Ohu Kai Moana Trustee Limited is the sole voting shareholder in AFL and appoints the board of directors. It also holds all the income shares with 80% of them held on trust for eventual allocation and transfer to Iwi as required by Part 3 of the Act. AFL is required to pay 40% of its annual net profit after tax in dividends to income shareholders. This requirement, however, does not commence until the Te Putea Whakatupu and Te Wai Maori Trusts are capitalised as described above.

23. EVENTS SUBSEQUENT TO BALANCE DATE

The Marine Farming Act 1971 was repealed by the Aquaculture Reform (Repeals and Transitional Provisions) Act 2004. Under the new Act, all leases and licenses granted under the Marine Farming Act 1971 are deemed to be coastal permits under the Resource Management Act 1991 (RMA), and are to be treated as if they had been granted for a term of 20 years from the date of the commencement of the new legislation – that is, 1 January 2005.

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

As described in Note 22 all assets and undertakings previously held by the Commission vested in Te Ohu Kai Moana Trustee Limited on 29 November 2004 to the extent they had not already vested in Aotearoa Fisheries Limited.

24. TE OHU KAI MOANA CHARITABLE TRUST

The Training and Development Scholarship Programme:

Te Ohu Kai Moana Charitable Trust was established in 1995.

The objectives of the trust are to:

- Facilitate the entry of Maori into, and the development by Maori of, the business and activity of fishing;
- 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
- Conduct and encourage research and development into matters affecting Maori fishing.

To assist in the achievement of these objectives the Commission scholarship programme focuses on three key streams of development for Maori. These lead towards tertiary qualifications from national certificates to bachelor, master and doctoral qualifications for fishing. The three streams are:

- Specific applied science and technology qualifications in marine, aquaculture, food and bio-technology;
- Management qualifications that will assist in the development of Iwi commercial fisheries resources, and
- Technical training qualifications that develop skills to obtain seafood processing, deep – sea fishing and statutory marine qualifications:

Emphasis is also placed on providing scholarship recipients with an opportunity to explore careers within the industry. Every year the Commission holds the annual students conference which provides attendees with opportunities, to consider careers with leading companies in the industry, re-new and create networks and to seriously consider their contribution to Maori fishing in the future.

The attached schedule 1 contains the financial statements for Te Ohu Kai Moana Charitable Trust for the year ended 30 September 2004.

**TREATY OF WAITANGI FISHERIES COMMISSION
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 14 MONTHS 1 OCTOBER 2003 TO 28 NOVEMBER 2004**

SCHEDULE 1

TE OHU KAI MOANA CHARITABLE TRUST

Statement of financial performance

For the year ended 30 September 2004

	2004	2003
	30 Sept	30 Sept
	\$'000	\$'000
Income		
Treaty of Waitangi Fisheries Commission	-	1,085
Interest	144	118
Sponsorship	15	40
	<hr/>	<hr/>
	159	1,243
 <u>Distributions and Expenditure</u>		
Scholarships	78	417
Research	17	167
Te Ara Hou Courses	-	2
Iwi Management Courses	45	-
Global Fishing Programme	45	-
Training Courses (Westport)	80	129
Training Courses (Bay of Plenty)	54	116
Training Courses (Gisborne)	-	(45)
Travel Expenses	-	19
SITO Training	38	-
Other	7	66
	<hr/>	<hr/>
	364	871
	<hr/>	<hr/>
Surplus of Income over Distributions for the year	(205)	372
	<hr/> <hr/>	<hr/> <hr/>

TE OHU KAI MOANA CHARITABLE TRUST

Statement of financial position

As at 30 September 2004

Assets

WestpacTrust Current Account	67	89
Investments	2,393	2,751
Konaki Project Funds	-	(30)
Accrued Expenses	(57)	(202)
	<hr/>	<hr/>
NET ASSETS	2,403	2,608
	<hr/> <hr/>	<hr/> <hr/>

Trust Capital

Balance at beginning of the year	2,608	2,236
Surplus for the year	(205)	372
	<hr/>	<hr/>
TOTAL FUNDS	2,403	2,608
	<hr/> <hr/>	<hr/> <hr/>



AUDIT REPORT

TO THE READERS OF

THE TREATY OF WAITANGI FISHERIES COMMISSION AND GROUP'S

FINANCIAL STATEMENTS

FOR THE 14 MONTHS ENDED 28 NOVEMBER 2004

The Auditor-General is the auditor of the Treaty of Waitangi Fisheries Commission and Group. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Treaty of Waitangi Fisheries Commission and Group, on his behalf, for the 14 months ended 28 November 2004.

Unqualified opinion

In our opinion the financial statements of the Treaty of Waitangi Fisheries Commission and Group on pages 10 to 45, that are prepared on a disestablishment basis:

- ▲ 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 28 November 2004; and
 - the results of operations and cash flows for the 14 months ended on that date.

The audit was completed on 20 May 2005, and is the date at which our opinion is expressed.

The basis of our opinion, which refers to the financial statements being appropriately prepared on a disestablishment basis, is explained below. In addition, we outline the responsibilities of the Board of Directors of Te Ohu Kai Moana Trustee Limited and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- ▲ determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- ▲ verifying samples of transactions and account balances;
- ▲ performing analyses to identify anomalies in the reported data;
- ▲ reviewing significant estimates and judgements made by the Board of Directors of Te Ohu Kai Moana Trustee Limited;
- ▲ confirming year-end balances;
- ▲ determining whether accounting policies are appropriate and consistently applied; and
- ▲ determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

The financial statements are appropriately prepared on a disestablishment basis

In forming our opinion, we considered the accounting policy on page 16, about the financial statements being prepared on a disestablishment basis. We consider the disestablishment basis to be appropriate as the Treaty of Waitangi Fisheries Commission was dissolved on 29 November 2004.

Responsibilities of the Board of Directors of Te Ohu Kai Moana Trustee Limited and the Auditor

The Board of Directors of Te Ohu Kai Moana Trustee Limited are responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Treaty of Waitangi Fisheries Commission and Group as at 28 November 2004. They must also fairly reflect the results of operations and cash flows for the 14 months ended on that date. The responsibilities of

the Board of Directors of Te Ohu Kai Moana Trustee Limited arise from the Maori Fisheries Act 2004.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 197 of the Maori Fisheries Act 2004.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Treaty of Waitangi Fisheries Commission or any of its subsidiaries and associates.

A handwritten signature in black ink, consisting of a large, stylized initial 'S' followed by a long horizontal line and a smaller 'L' at the end.

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

