

# **Te Kupenga o Maniapoto Limited**

## **ANNUAL REPORT**

**For the Year Ended 30 September 2013**

## Table of Contents

	<i>Page</i>
1. Introduction	1
2. Company Overview	3
2.1 Directors and Management	4
2.2 Corporate Governance	5
3. Highlights and Key Issues for 2012 - 2013	7
3.1 ACE Sales	7
3.2 ACE Sales for 2012 - 2013	8
3.3 ACE Sales for 2013 – 2014	9
3.4 AFL Dividends	10
3.5 Interest on Bank Deposits	10
3.6 Reducing ACE Prices	10
3.7 Securing the Remaining Settlement Quota	11
4. Financial Performance	11
5. Other Annual Reporting Items	13
6. Looking Forward to 2013 – 2014	14
7. Conclusion	15

## 1. Introduction

*Patukituki ake nei te manawa, tangi tikapakapa haere ana, nei ra te mihi maioha, he tohu aroha ki a ratou, ratou e takahia atu ra te aratiatia o te hunga kua wairuatia ra. Koutou ki koutou tatou te hunga e pikau tonu ana i nga kaupapa waihotia mai nei, ki tatou, e oku rangatira tena ano hoki mai koutou katoa.*

The Board of Directors take pleasure in presenting the Te Kupenga o Maniapoto Limited (Te Kupenga) Annual Report for the financial year ended 30 September 2013.

The Treaty of Waitangi Fisheries Settlement concluded in 2004 provided Maniapoto Iwi with a stake and ongoing opportunities in New Zealand's fishing industry. Te Kupenga and its use of the fisheries assets received from the settlement form the basis of Maniapoto Iwi's current undertakings in New Zealand's commercial fisheries. The primary purpose of Te Kupenga is to utilise these and other assets acquired in a prudent, commercial and profitable manner for the sole benefit of Maniapoto Fisheries Trust (MFT). Through such process, we aim to extend our purposes to create development and improvement opportunities for Maniapoto members.

The fishing industry and Te Kupenga's resources need to be actively managed and fostered creating opportunities for our people while our taonga remains protected.

The company has been operating for over six years generating financial surpluses each year. The aggregate of dividends paid by Te Kupenga to MFT would reach \$4.6 million after taking into account the dividend relating to the company's financial year ended 30 September 2013.

### ***Financial Results for 2012 – 2013***

Taking into account the challenging economic, market and fishing industry environment, Te Kupenga was fortunate to achieve an exceptional result for the year.

Te Kupenga achieved a net surplus of \$1.69 million for the year after accounting for tax credits of \$1.09 million attached to a special dividend declared by Aotearoa Fisheries Limited (AFL) in December 2012.

The company's financial performance for the year, excluding this dividend, was a surplus of \$606,789 against a budgeted surplus of \$650,465 and compared to the previous year's surplus of \$914,771. The result for the year

---

## **Te Kupenga o Maniapoto Limited - Annual Report 2012 – 2013**

was achieved on revenues of \$974,678 (2012: \$1,179,500) against budgeted revenues of \$954,358.

Shareholders' equity increased from \$9.104 million at the beginning of the year to \$9.929 million as at 30 September 2013.

Beginning with the 2010 - 2011 financial year, Te Kupenga has experienced reducing Annual Catch Entitlement (ACE) sales revenues that have affected its profitability. The conditions influencing this trend are expected to continue in the 2013 – 2014 financial year and beyond. Reducing earnings from ACE sales has been a key issue for fish quota owners from about the end of 2008.

A summarised statement of the financial performance of Te Kupenga is provided in Section 4 of the Annual Report.

### ***Management Focus***

The 2013 year saw a high level of activity for the directors. Extraordinary efforts were made by them to increase earnings from ACE by entering into an "ACE Sales plus Profit Share" relationship with Sealord Group Limited (Sealord). Te Kupenga's incremental profit share attributable to its 2012 – 2013 financial year, from this arrangement, is in excess of \$100,000. This profit share, however, is not included in the company's financial results for the 2012 - 2013 year. It will be recognised when the actual profit share is agreed with Sealord.

The directors also took a proactive interest in the management and affairs of AFL and Sealord. We voiced our specific concerns on the reducing and 2013 year's lack of profitability of Sealord at the presentation of AFL's half year results for 2012 – 2013 to Iwi shareholders in Hamilton.

### ***Shelving of Long-Finned Freshwater Eel ACE***

Te Kupenga was pleased to agree to a request from Mokau ki Runga Regional Marae Committee and shelve (not fish) our Long-Finned Eel ACE with effect from 1 October 2013. The committee was concerned that the sustainability of this iconic species was under threat due to overfishing. In making our decision, we considered that tuna has a much higher cultural value to our people, far in excess of the earnings derived by the company from ACE sales.

Pending the availability of improved scientific information and execution of related actions for the conservation of Long-Finned Eel stocks, Te Kupenga's decision to shelve the ACE would be reviewed annually.

---

# Te Kupenga o Maniapoto Limited - Annual Report 2012 – 2013

## *Business Focus*

The company's main focus during the year was on the options available to it to arrest declining ACE sales earnings. Te Kupenga has generally achieved ACE sales prices that are superior to other ACE sellers over the years. However, Te Kupenga and other ACE holders have little control over the declining ACE price trend. It is occurring as a result of ACE market dynamics prevailing in the industry, influenced to an extent by Government's intervention in the use and operation of Foreign Charter Vessels (FCV) in New Zealand's waters.

In this situation, it is evident that Te Kupenga needs to diversify its income sources in the short to medium term to ensure sustainable returns are generated on behalf of our shareholder.

## 2. Company Overview

Te Kupenga is the Asset Holding Company (AHC) of Maniapoto Iwi as defined in the Maori Fisheries Act 2004 (MFA). It holds and manages primarily Maniapoto Iwi's "settlement" fish quota and AFL income shares transferred to it in March 2007, as a result of the fisheries settlement.

Maniapoto Maori Trust Board (MMTB) as Trustee of MFT is Te Kupenga's sole shareholder. MFT is the Mandated Iwi Organisation (MIO) of Maniapoto Iwi for the purposes of the MFA.

The key assets of the company are:

Asset	Quantity	Value as at 30 Sep 13 \$
"Settlement" quota shares	203,816,322	4,182,000
"Normal" quota shares	233,230	24,500
AFL income shares	9,086	3,635,000
<b>Total</b>		<b>7,841,500</b>

## *Quota*

Te Kupenga's "settlement" quota, as shown above, is the fish quota received to date by Maniapoto Iwi under the fisheries settlement. Te Kupenga purchased the "normal" quota from MMTB.

The company procures “agreed” ACE generated on quota entitlements not yet transferred from Te Ohu Kaimoana, reflecting as closely as possible the methodology for allocating the quota.

### *Quota Value*

As at 30 September 2013, TKOM’s “settlement” and “normal” quota were subject to value impairments of \$18,000 and \$4,000 respectively. Quota values can rise when ACE prices increase. This can occur due to an increase in competition for ACE driven by heightened fishing interest or from increases in market prices for fish leading to increased competition for ACE.

### *AFL Income Shares*

TKOM’s investment in AFL doubled from 4,543 to 9,086 income shares in December 2012 due to a special taxable dividend declared out of AFL’s reserves and settled by way of a bonus share issue. The company received the refund of Maori Authority Credits (MACs) attached to the dividend of \$1,090,320 from the Inland Revenue Department in April 2013. In December 2012, the company also received the (normal) dividend on its AFL income shares of \$308,259 (2012: \$410,933) including the MACs attached to the dividend.

Te Kupenga’s net earnings from ACE sales of \$241,536 were therefore supplemented with the AFL dividend of \$308,259 and interest income of \$56,994. The company has not yet recognised the incremental profit share earned on the deep-sea ACE provided to Sealord in the 2012 – 2013 financial year. The profit share, which is estimated to be in excess of \$100,000, will be recognised when the actual amount has been agreed with Sealord.

## **2.1 Directors and Management**

There were no changes to the Board of Directors during the financial year. The Directors of Te Kupenga are:

### **Chris Koroheke – Chairperson of the Board and General Manager**

Chris is an independent director of Te Kupenga, appointed to the Board in 2007 and assuming the role of Chairperson in March 2011. Chris is also the company’s part time General Manager.

### **Daniel Te Kanawa - Director**

Dan is a Board member of MFT. He is an inaugural director and the previous Chairperson of the Board appointed in 2007.

### **Tony Magner – Director and ACE Sales/Operations Manager**

Tony is an inaugural director of Te Kupenga appointed in 2007. He has extensive fishing industry expertise and manages the company's operations including its ACE sales activities.

### **William Wetere - Director**

William joined the Board as an independent director in July 2011.

### **Piki Knapp - Director**

Piki is a Board member of MFT and was appointed to the company's Board in September 2012.

All of the directors are affiliated to Maniapoto Iwi having an inherent interest in the development and economic well-being of Ngati Maniapoto and its people.

Te Kupenga's directors and management team have benefited from the opportunity to be involved in and better understand New Zealand's fishing industry. The association has provided them with insights into the commercial arena the company operates in, and the environment, which provides the wider Maniapoto Group with the means to deliver on its obligations.

Te Kupenga encourages the participation of directors at fishing industry conferences, Te Ohu Kaimoana and AFL annual and half yearly shareholders' meetings, and other relevant industry forums. The opportunities availed of have ensured that directors are familiar with current and relevant fishing industry prospects, issues and developments. These combined with their other skills have provided them with context in assessing issues affecting the business and in making better decisions. Consequently, it is evident that Te Kupenga's directors have developed an understanding of NZ's fishing industry, company's operations and corporate governance that is superior to the position in similar companies.

## **2.2 Corporate Governance**

The Te Kupenga Board is committed to operating the company as a commercially viable business, setting and achieving high standards of performance, oversight, accountability, transparency and reputation. The directors consider that their role in the governance of Te Kupenga is to facilitate effective entrepreneurial and prudent management that can deliver the successes of the company.

### ***Board Composition***

Te Kupenga's constitution provides for a Board of five directors, all appointed by MFT. Of the five directors, up to two can be Board members of MFT with the others being independent of it.

### ***Management Organisation Structure***

A team of three manages the company's operations and business processes with each performing part time contracted roles as follows:

- Chris Koroheke - General Manager;
- Tony Magner - ACE sales and other operations management including fishing industry related matters;
- Aloma Shearer – Accounts Administrator.

Te Kupenga's directors who are independent of management monitor the management team's performance.

The management team is responsible for the day-to-day operations of the company. Decision making on routine matters has been delegated to the team by the Board. Management retains expertise to ensure due attention is given to the analysis of key issues to facilitate both Board and management's decision-making. This ensures that rational and businesslike choices can be made by them avoiding ad-hoc or emotionally influenced decisions. Management makes recommendations on matters requiring Board attention.

### ***Board and other Meetings***

In the 2012 – 2013 financial year, the full Te Kupenga Board met on three occasions. The Board also participated in a full day's planning workshop held in September 2013.

The management team (excluding the accounts administrator) met on more than fifteen occasions during the year. The majority of these meetings were convened to progress matters and/or make interim decisions on the intended limited partnership venture with Sealord. The company's efforts in trying to accommodate Sealord's requirements and negotiating its own needs involved much time and cost including those of its business and legal advisors. The inevitable conclusion reached was that the limited partnership venture arrangements proposed by Sealord were too risky and onerous for Te Kupenga.

## *Reporting and Disclosure*

The management team is responsible for the preparation of annual Business Plans, Budgets, Statements of Corporate Intent (SCI) and Audited Financial Statements, and quarterly management and financial reports.

Te Kupenga's independent external auditors are Deloitte of Hamilton.

## *Shareholder Relations*

Te Kupenga has evolved an active relationship with MFT, its sole beneficial shareholder. Te Kupenga directors regularly attend meetings of MFT and its Finance and Risk sub-committee.

Annual SCIs formally document the understanding that exists between Te Kupenga and MFT. The SCI sets out the intentions and specifies the targets that Te Kupenga expects to achieve each financial year. It also reports on and compares the company's financial performance in the previous financial year with the targets agreed for that year. Other matters agreed in the SCI currently include Te Kupenga's:

- Accounting, borrowing, investment, dividend, treasury, purchases and disposals, non-core activities and human capital policies; and
- Information reporting requirements.

## *Statement of Investment Parameters and Objectives (SIPO)*

At the request of MFT, the company recently commenced on an exercise to draft its own SIPO. Te Kupenga's SIPO is expected to set out policies and guidelines relating to its investments, designed and articulated to facilitate the diversification of its revenue streams.

## **3. Highlights and Key Issues for 2012 - 2013**

### **3.1 ACE Sales**

Te Kupenga competes with other ACE holders to obtain the best prices for its ACE. The challenge each season is to sell a high proportion of mainly high value and weight ACE fish stocks to buyers who can honour their annual or longer-term purchase commitments.

Te Kupenga's ACE sales for 2012 - 2013 were \$609,425 against budgeted sales of \$615,522 and compared to \$721,628 achieved in the previous year.

### *ACE Price Trend*

Many factors including market and economic conditions prevailing in fisheries product markets mainly offshore, NZ dollar exchange rates, vessel capacity, fishing and other costs, state of NZ's fisheries, TACC levels, deemed values, and strengths of buyers and sellers bargaining positions affect ACE prices.

Te Kupenga has been fortunate that lower ACE prices in recent years have been offset by dividend income.

### *Economies of Scale*

Up to the 2011 – 2012 fishing year, the company's ACE sales were undertaken in conjunction with ACE held by Tainui Waka Group (TWG) members – Te Kupenga, ROTAB Investments Limited (ROTAB) and Tainui Group Holdings Limited (TGH). From the 2012 – 2013 fishing year, Sealord manages TGH's deep-sea ACE under a limited partnership venture agreement. The consolidation of ACE between TWG members benefited them from scale related prices and efficiencies normally enjoyed by large ACE parcel holders. Scale related conditions influencing deep-sea ACE prices has somewhat diminished with TGH's ACE being managed by Sealord. Te Kupenga has, however, been able to forge an informal alliance with others including the Kahungunu AHC from the 2013 – 2014 fishing year regaining similar bargaining power advantages as before.

## **3.2 ACE Sales for 2012 - 2013**

### *Deep-sea ACE*

In previous years, Te Kupenga's deep-sea ACE was mainly utilised in fishing operations chartering Korean owned vessels. In view of the findings on FCVs, Te Kupenga considered that ACE sales to operators of these vessels would be risky.

Considering this situation, Te Kupenga took the initiative to offer TWG's deep-sea ACE to Sealord on an ACE plus profit share basis. Sealord responded with a proposal to TWG (and other selected AHCs) to enter into a limited partnership venture with it. Te Kupenga assessed the proposed venture as well as its legal and other documents, and financial projections prepared by Sealord. The evaluation identified a number of issues attached to the venture. These included non-compliance of certain provisions of the venture's legal agreements with the MFA, excessive complexity of the structure and transactions contemplated by the venture, lack of transparency on the revenues and costs allocated to the limited partnership by Sealord and concerns on the venture's viability. Conclusions reached were that the venture was too risky and onerous for Te Kupenga to participate. In the meantime, TGH had agreed with Sealord that each of Te Kupenga, ROTAB and TGH needed to enter into

separate limited partnership ventures, rather than TWG acting collectively, exacerbating the complexity of the arrangements.

The intent of the discussions that followed in 2013, with Sealord and TGH, was to overcome the issues identified through appropriate guarantees from Sealord or a simpler arrangement. While these discussions were continuing, TGH advised Te Kupenga in March 2013 that it had entered into its own limited partnership venture with Sealord on 21 December 2012. Although other AHCs were canvassed to participate in limited partnership ventures, only TGH took up Sealord's offer. The unilateral action taken by TGH placed Te Kupenga and ROTAB in weak positions in negotiating their "ACE Sale plus Profit Share" relationships with Sealord.

Te Kupenga's October 2012 and April 2013 deep-sea ACE were eventually sold to Sealord on the understanding that it would be entitled to a share of the downstream profits derived from its ACE. Sealord is in the process of agreeing Te Kupenga's profit share for 2012 – 2013.

Financial information received from Sealord suggests that Te Kupenga's decision to reject Sealord's limited partnership proposal was to its advantage.

### *Other ACE*

Te Kupenga sold its October 2012 inshore, highly migratory species, eel and some scampi ACE on three-year cash upfront bases (subject to monetary and other adjustments based on future TACC changes).

### **3.3 ACE Sales for 2013 – 2014**

Throughout last year, Sealord remained adamant that Te Kupenga needed to enter into a limited partnership venture with it beginning with the 2013 - 2014 fishing year to earn a profit share. However, Sealord has recently indicated that it would move to a simpler agreement, the terms of which are currently at an advanced stage of negotiation. Sealord is offering its new arrangement to other AHCs as well.

While Sealord appears to be a serious contender for the company's deep-sea ACE, Te Kupenga sought other fishing companies' interest to purchase its 2013 – 2014 ACE. Sealord's interest is for a multi-year, profit share based agreement.

### **3.4 AFL Dividends**

Te Kupenga has earned annual dividends on its AFL income shares since 2010. Each year's dividend depends on the performance of AFL and Sealord, which is 50% owned by AFL.

AFL has advised that there will be no dividend in 2013, as it expects to make a net loss for the year ended 30 September 2013. AFL Group's failure to make a profit is mainly due to losses that Sealord has incurred in exiting its Argentinian subsidiary. AFL expects to resume paying dividends in 2014.

### **3.5 Interest on Bank Deposits**

Te Kupenga earns interest on funds placed on deposit with the ASB Bank.

The company has made a submission to MFT's Finance and Risk subcommittee seeking recommendation to MFT that Te Kupenga be allowed to invest its surplus funds in an investment portfolio managed by ASB Wealth Advisory. The funds are to be invested substantially in accordance with the current Statement of Investment Parameters and Objectives (SIPO) of MMTB and MFT pending the adoption of Te Kupenga's own SIPO.

### **3.6 Reducing ACE Prices**

As mentioned earlier, beginning with the 2010 - 2011 financial year, Te Kupenga has experienced declining ACE sales revenue, particularly for its deep-sea ACE.

The price that a purchaser is prepared to pay for an ACE fish stock is a reflection of competition for it from other purchasers. ACE prices overall are driven by the margins remaining from the prices derived for the fish product caught after all costs of fishing and a return on the assets utilised in the operation are taken into account by ACE purchasers.

As FCV operators were able to fish more cost efficiently than NZ owned and flagged vessel operators, they were able to pay higher prices for ACE. However, the new regulations, which started to take effect in 2012, have increased the compliance obligations and fishing costs of these vessels. While this has in turn reduced their operators' ability to pay high prices for ACE, Te Kupenga considered that it would be risky for its ACE to be utilised by these vessels, as done in the past.

Decreasing ACE prices due to reduced competition for ACE and higher costs of fishing due to Government's interventions in FCVs have begun to impact negatively on the value of the underlying quota asset.

Considering the unfavourable conditions prevailing in the ACE market, Te Kupenga's management continues to seek ACE sales (particularly for deep-sea ACE) that have attached to them a profit share derived from the ACE buyers' downstream activities.

### **3.7 Securing the Remaining Settlement Quota**

Te Kupenga has not yet received in full Maniapoto Iwi's entitlement to coastline based and freshwater quota. The latter quota is in respect of long-finned and short-finned freshwater eel. The balance of the coastline based quota awaits the agreement of Maniapoto Iwi's boundary with Ngati Tama. The eel quota awaits the agreement of Iwi populations, within eel fish stock management areas, with neighbouring Iwi.

In September 2012, Te Kupenga received a large portion of outstanding quota representing the coastline from Tiroa point to Mokau River. The "remaining coastline" that is yet to be agreed is between Waipingau Stream and Mokau River. The parties responsible for this at present are MFT and Te Runanga o Ngati Tama.

MFT made a Declaration of Coastline Boundary on 27 September 2012. MFT has also given Te Ohu Kaimoana notice of dispute relating to the coastline under the MFA. According to Te Ohu Kaimoana, while the three-year notice period is currently in place, it could recommence for a further 3 years from the date that Ngati Tama establishes their MIO (if established prior to the expiry of the current notice period). The MFA process could therefore further delay the transfer of the remaining quota.

In view of the above, Te Kupenga considers that the best method to resolve the dispute is with Te Ohu Kaimoana appointing a facilitator acceptable to both parties. Te Ohu Kaimoana has advised Te Kupenga that a suitable person has agreed in principle to undertake the role. A facilitated settlement, under the circumstances, would be a more efficient process to resolve this matter.

## **4. Financial Performance**

Te Kupenga's audited financial statements for the year ended 30 September 2013 accompany this report. We provide a summary of the company's recent financial performance and 2013 - 2014 budget on the next page.

# Te Kupenga o Maniapoto Limited - Annual Report 2012 – 2013

Summarised Financial Performance					
Years Ended 30 September					
	2010	2011	2012	2013	2014
	Actual	Actual	Actual	Actual	Budget
	\$	\$	\$	\$	\$
<b>Revenue</b>					
<b>ACE Sales:</b>					
Settlement quota	686,688	533,062	562,880	586,015	553,981
Normal quota	2,181	2,181	2,181	678	678
Agreed ACE	208,938	157,962	156,567	22,732	25,214
<b>Total</b>	<b>897,807</b>	<b>693,205</b>	<b>721,628</b>	<b>609,425</b>	<b>579,873</b>
<b>Cost of Sales:</b>					
Levies	89,280	93,690	98,888	118,766	120,950
ACE charges	30,378	31,510	29,874	5,276	5,300
<b>Total</b>	<b>119,658</b>	<b>125,200</b>	<b>128,762</b>	<b>124,042</b>	<b>126,250</b>
<b>Gross Profits:</b>					
Own quota	599,589	441,553	466,173	467,927	433,709
Agreed ACE	178,560	126,452	126,693	17,456	19,914
<b>Total</b>	<b>778,149</b>	<b>568,005</b>	<b>592,866</b>	<b>485,383</b>	<b>453,623</b>
<b>Operating Surplus</b>	<b>715,501</b>	<b>372,305</b>	<b>456,899</b>	<b>241,536</b>	<b>312,773</b>
Interest	47,387	40,505	46,939	56,994	50,000
Dividends - AFL		340,761	410,933	308,259	
Other	40,940	10,307			
	803,828	763,878	914,771	606,789	362,773
Fish quota received			1,184,000		
Special dividend - AFL				1,090,320	
Revaluations - quota					
<b>Net Surplus</b>	<b>803,828</b>	<b>763,878</b>	<b>2,098,771</b>	<b>1,697,109</b>	<b>362,773</b>
<b>Margins</b>					
Gross profit	86.7%	81.9%	82.2%	79.6%	78.2%
Operating surplus	79.7%	53.7%	63.3%	39.6%	53.9%
<b>Return on Assets</b>					
Return on own/held quota	16.5%	7.6%	10.8%	5.3%	7.0%
Return on own/held quota and AFL shares	8.0%	8.5%	10.9%	6.8%	3.7%

## 2012 – 2013 Financial Performance

In the 2012 – 2013 financial year, Te Kupenga achieved a net surplus of \$606,789 (before the AFL special dividend of \$1,090,320) against a budget of \$650,465. The deficit of \$43,676 has to be considered in the light of over \$100,000 of profit share from Sealord, which has not yet been recognised.

---

## **Te Kupenga o Maniapoto Limited - Annual Report 2012 – 2013**

ACE sales for the year generated a gross profit of \$485,383 (2012: \$592,866), which was about \$9,000 lower than budget, mainly due to a lesser quantity of “agreed” ACE received.

ACE sales of \$609,425 and gross profits were 16% and 18% respectively lower than the previous year.

### ***2013 – 2014 Budget***

Te Kupenga’s 2013 - 2014 budget reflect a net surplus of \$362,773 compared to \$606,789 achieved in the 2012 - 2013 financial year (before the special AFL dividend).

The key contributors to the surplus are ACE earnings net of company expenses of \$312,773 (2013: \$241,536) and interest income of \$50,000 (2013: \$56,994).

The main reason for the lower budgeted earnings is because no AFL dividend has been considered for 2013 - 2014 (2013: \$308,259).

### ***Profit Share from Sealord***

The budget and last year’s results do not include any profit share from Sealord. Such income will be recognised as and when they are agreed with Sealord.

## **5. Other Annual Reporting Items**

The directors are specifically required, as set out in the company’s constitution, to report on Te Kupenga’s performance and activities relating to Settlement Quota, Income Shares in AFL, Subsidiaries and changes to the Constitution.

We report on these as follows:

### ***Investments***

Te Kupenga’s surplus funds are invested in term deposits with the ASB bank. Some funds are retained on call and others placed on long term deposits subject to the company’s cash flow needs.

### ***Subsidiaries***

In December 2012, Te Kupenga established two subsidiary companies - Te Kupenga LP Limited and Te Kupenga GP Limited. The purpose of these companies was to participate in a Limited Partnership venture with Sealord in support of making deep-sea ACE sales to Te Kupenga LP Limited. As the envisaged venture with Sealord did not proceed in the originally proposed

format, the subsidiary companies have remained dormant since incorporation. No assets of Te Kupenga were transferred to either of these two companies.

### *Interests Registered against Settlement Quota*

Te Kupenga has not mortgaged nor registered any other interest against its Settlement Quota.

### *Trading of Income Shares*

Te Kupenga has not since its inception sold, acquired or exchanged any interests in income shares nor is there any current intention to do so in the future.

### *Trading in Settlement Quota*

Te Kupenga has not sold or exchanged Settlement Quota nor is there any intention to do so in the future.

### *Constitution*

No changes have been made to the Te Kupenga constitution.

## **6. Looking Forward to 2013 - 2014**

### *Budgeted Financial Performance*

A summarised budget of the company for the 2013 – 2014 financial year is shown in the Table in Section 4.

### *Operational Thrust*

The key areas of focus for Te Kupenga in the 2013 - 2014 financial year are:

- Finalising the company’s “ACE Sales plus Profit Share” relationship with Sealord for 2013 – 2014 and beyond;
- Achieving the best possible returns on the company’s investment in fish quota;
- Implementing programmes that reduce the company’s weaknesses and vulnerabilities by building capacity for the future;
- Continuing to work in collaboration with TWG members where possible and other AHCs having common interests; and
- Navigating through the threats in the external environment that the company faces.

The above approach can improve the personal and business capabilities of the company's people in participating in, and governing commercial enterprises.

The directors consider that maintaining status quo into the medium to long-term is unacceptable, as the business needs to grow by expanding its core business and diversifying. Consequently, Te Kupenga maintains a strategy of identifying suitable avenues for growth and income maximisation.

### **7. Conclusion**

The directors' commitment to the kaupapa of Ngati Maniapoto is reflected in their performance orientated approach to the business and activities of Te Kupenga.

We take pride in ensuring the effective performance of the company and realising returns contributing to the development and improvement of Maniapoto Iwi.

No reira ma te Atua koutou e manaaki

Te Kupenga o Maniapoto Limited

Chris Koroheke  
Chairperson

**Te Kupenga o Maniapoto Limited  
Financial Statements**

**For the year ended  
30 September 2013**

**TE KUPENGA O MANIAPOTO LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

---

<b>CONTENTS</b>	<b>PAGE</b>
Company Directory .....	1
Statement of Financial Performance .....	2
Statement of Movements in Equity .....	3
Statement of Financial Position .....	4
Statement of Accounting Policies .....	5
Notes to the Accounts .....	7
Other Financial and Statutory Information .....	9
Audit Report .....	10

**TE KUPENGA O MANIAPOTO LIMITED  
COMPANY DIRECTORY  
AS AT 30 SEPTEMBER 2013**

---

<b>NATURE OF BUSINESS</b>	Asset Holding Company under the Maori Fisheries Act 2004
<b>INCORPORATION</b>	Company No: 1915813 as registered under the Companies Act 1993 on 19 March 2007
<b>REGISTERED OFFICE</b>	49 Taupiri Street, Te Kuiti
<b>DIRECTORS</b>	C G R Koroheke T T Magner D T Te Kanawa W Wetere P Knapp
<b>ACCOUNTANTS</b>	Murray Kidd Falconer Limited, Te Kuiti
<b>AUDITORS</b>	Deloitte, Hamilton
<b>SOLICITORS</b>	Kahui Legal, Wellington Norris Ward McKinnon, Hamilton
<b>BANKERS</b>	ASB, Te Awamutu
<b>SHARES</b>	1 Share
<b>SHAREHOLDER</b>	Maniapoto Maori Trust Board as Trustee for Maniapoto Fisheries Trust

**TE KUPENGA O MANIAPOTO LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

---

	NOTE	2013 \$	2012 \$
Revenue	4	2,064,997	2,363,567
Expenses	5	<u>(367,888)</u>	<u>(264,796)</u>
<b>Net Operating Surplus After Tax</b>		<u>1,697,109</u>	<u>2,098,771</u>
<b>Net Profit for the Year</b>		<u>\$1,697,109</u>	<u>\$2,098,771</u>

NOTE: This Statement is to be read in conjunction with the accompanying Statement of Accounting Policies and Notes to the Financial Statements.



**TE KUPENGA O MANIAPOTO LIMITED**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

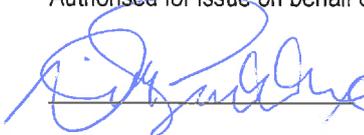
	SHARE CAPITAL \$	QUOTA SHARES RESERVE \$	AFL INCOME SHARES RESERVE \$	RETAINED EARNINGS \$	TOTAL \$
<b>Balance at 1 October 2011</b>	50,000	444,080	145,000	6,769,625	7,408,705
Net Profit/(Loss) for the Year	-	-	-	2,098,771	2,098,771
Gain/(Loss) on Quota Shares	-	(201,500)	-	-	(201,500)
Gain/(Loss) on AFL Income Shares	-	-	115,000	-	115,000
<b>Other Comprehensive Income for the year</b>	-	(201,500)	115,000	2,098,771	2,012,271
<b>Total Comprehensive Income</b>	-	(201,500)	115,000	2,098,771	2,012,271
Dividends paid	-	-	-	(700,000)	(700,000)
<b>Balance at 30 September 2012</b>	50,000	242,580	260,000	8,168,396	8,720,976
Net Profit/(Loss) for the Year	-	-	-	1,697,109	1,697,109
Gain/(Loss) on Quota Shares	-	(22,000)	-	-	(22,000)
Gain/(Loss) on AFL Income Shares	-	-	(125,000)	-	(125,000)
<b>Other Comprehensive Income for the year</b>	-	(22,000)	(125,000)	1,697,109	1,550,109
<b>Total Comprehensive Income</b>	-	(22,000)	(125,000)	1,697,109	1,550,109
Dividends paid	-	-	-	(700,000)	(700,000)
<b>Balance at 30 September 2013</b>	<u>\$50,000</u>	<u>\$220,580</u>	<u>\$135,000</u>	<u>\$9,165,505</u>	<u>\$9,571,085</u>

NOTE: This Statement is to be read in conjunction with the accompanying Statement of Accounting Policies and Notes to the Financial Statements.

**TE KUPENGA O MANIAPOTO LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2013**

	NOTE	2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents		2,077,136	1,103,615
Accounts Receivable		3,099	8,438
GST Receivable		<u>7,344</u>	<u>3,416</u>
<b>Total Current Assets</b>		2,087,579	1,115,469
<b>NON CURRENT ASSETS</b>			
Investments	3	3,635,000	3,760,000
Intangible Assets – Fishing Quota	3	<u>4,206,500</u>	<u>4,228,500</u>
		7,841,500	7,988,500
<b>TOTAL ASSETS</b>		<u>\$9,929,079</u>	<u>\$9,103,969</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	6	45,074	382,993
Income in Advance		<u>312,920</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		357,994	382,993
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital		50,000	50,000
Other Reserves	7	355,580	502,580
Retained Earnings		<u>9,165,505</u>	<u>8,168,396</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		9,571,085	8,720,976
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<u>\$9,929,079</u>	<u>\$9,103,969</u>

Authorised for issue on behalf of the Board

 Director

 Director

12 Dec 2013 Dated

**TE KUPENGA O MANIAPOTO LIMITED  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 SEPTEMBER 2013**

---

**ENTITY**

The financial statements presented here are for the reporting entity Te Kupenga o Maniapoto Limited (the "Company"). The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

**DIFFERENTIAL REPORTING**

The Company qualifies for exemptions from certain financial reporting standards under the differential reporting framework on the basis that it is not publicly accountable and is not deemed to be large because at least two of the following were not exceeded:

- \* Total Revenue of \$20 million;
- \* Total Assets of \$10 million;
- \* 50 Employees

The entity has taken advantage of all available differential reporting exemptions.

**MEASUREMENT BASE**

The measurement base adopted is that of historical cost except for investments and intangible assets (Quota Shares) which are recorded at fair value. The financial statements have been prepared on a going concern basis.

**SPECIFIC ACCOUNTING POLICIES**

**A. TAXATION**

The accounts have been prepared on the basis that the Company is exempt from income tax as it is a charitable organisation registered with the Charities Commission.

**B. GOODS AND SERVICES TAX (GST)**

All items in the Statement of Financial Position are stated exclusive of GST, with the exception of receivables and payables, which include GST. All items in the Statement of Financial Performance are stated exclusive of GST.

**C. ACCOUNTS RECEIVABLE**

Accounts receivable have been recorded at their estimated net realisable value. All known bad debts have been written off and no general provision for doubtful debts is considered necessary.

**D. TRADE PAYABLES**

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

**E. INVESTMENTS**

Investment in Aotearoa Fisheries Limited (AFL) shares is recorded at fair value annually. Fair value has been determined by the Directors using the Dividend Capitalisation methodology.

Increases in the carrying amount arising on revaluation of AFL shares are credited to other reserves (in the Statement of Movements in Equity). Decreases that offset previous increases are charged against other reserves; all other decreases are charged to the Statement of Financial Performance.

**F. INTANGIBLES**

Intangibles include "settlement" quota and "normal" quota. Quota shares have an indefinite life and will generate economic benefits beyond one year. Quota shares are recorded at fair value annually. Fair value for settlement quota has been determined by an external party using the Earnings Capitalisation methodology; which has been approved by the directors. Fair value for normal quota has been determined by using market evidence of current market prices.

**TE KUPENGA O MANIAPOTO LIMITED**  
**STATEMENT OF ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

---

Increases in the carrying amount arising on revaluation of Quota Shares are credited to other reserves (in the Statement of Movements in Equity). Decreases that offset previous increases are charged against other reserves; all other decreases are charged to the Statement of Financial Performance.

**G. REVENUE**

Annual catch entitlement (ACE) income is recognised when cash is received or receivable for the sale of ACE in the fishing season to which it relates. Interest is recognised as accrued. Dividends are recognised when received.

**H. CHANGES IN ACCOUNTING POLICIES**

There have been no changes in accounting policies.

**TE KUPENGA O MANIAPOTO LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

---

**1. COMMITMENTS AND CONTINGENT LIABILITIES**

As at 30 September 2013 there are no capital commitments, operating lease commitments or contingent liabilities.

**2. RELATED PARTY TRANSACTIONS**

**Arantis Limited**

Arantis Limited, of which T T Magner is a Director, provides management and consultancy services to TKOM. Management and consultancy fees paid during the period totalled \$157,675 (2012: \$61,757). As at 30 September 2013 there was an amount payable for consultancy fees of \$11,370 (2012: \$1,388).

**Whariki Business Services**

Whariki Business Services, of which C G R Koroheke is a Director, provides management services to TKOM. Management fees paid during the period totalled \$13,400 (2012: \$3,500).

**A K M Shearer**

A K M Shearer, former Director (resigned 5 September 2012), provides administration services to TKOM. Fees paid during the period totalled \$3,848 (2012: \$1,425). As at 30 September 2013 there was an amount payable of \$272 (2012: \$230).

**W Wetere**

W Wetere, Director, provides management services to TKOM. Management fees paid during the period totalled \$2,000 (2012: \$0)

**Maniapoto Maori Trust Board**

Maniapoto Maori Trust Board ("MMTB"), in its capacity of Trustee for the Maniapoto Fisheries Trust, provides administration services and receives dividends from TKOM. As at 30 September 2013 there was an amount of \$243 (2012: \$161) payable for administration fees and nil (2012: \$350,000) payable for dividends to MMTB.

**Te Kupenga LP Limited and Te Kupenga GP Limited**

During the year the company incorporated two wholly owned subsidiary companies: Te Kupenga LP Limited and Te Kupenga GP Limited to which no assets were transferred. No trading activities were undertaken by these companies during the year to 30 September 2013.

No related party debts have been written off or forgiven during the year

**3. FISHERIES ASSETS**

Fisheries Settlement Quota Shares, Other Quota Shares and Aotearoa Fisheries Limited (AFL) Income Shares.

On 26 March 2007 Maniapoto Fisheries Trust was recognised as a Mandated Iwi Organisation and Te Kupenga o Maniapoto Limited was recognised as an Asset Holding Company meeting the requirements of the Maori Fisheries Act 2004. Accordingly Te Ohu Kaimoana Trustee Limited (TOKM) then transferred to Te Kupenga o Maniapoto Limited:

**(a) Intangible Assets – Settlement Quota Shares**

Maniapoto's share of deepwater settlement quota shares was valued by TOKM on settlement at \$5,445,106. Further quota shares were received in September 2012, valued at \$1,184,000. These quota shares have been recognised by Te Kupenga o Maniapoto Ltd at 30 September 2013 at fair value of \$4,182,000 (2012: \$4,200,000) based on an external valuation, approved by the directors, to reflect the income earning potential of the quota to the Company. These quota shares are subject to various restrictions, including restrictions over the sale and transfer (but not over sale of ACE), in accordance with the Maori Fisheries Act 2004.

**TE KUPENGA O MANIAPOTO LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

**(b) Intangible Assets – Other Quota Shares**

The Company purchased from the Maniapoto Maori Trust Board quota shares for \$25,920. These quota shares have been recognised by Te Kupenga o Maniapoto Ltd at 30 September 2013 at fair value of \$24,500 (2012: \$28,500) based on an external valuation, approved by the directors, to reflect the current market prices of the quota.

**(c) Investments - AFL Income Shares**

As part of the settlement from TOKM there was also a transfer of 4,543 (out of a total 125,000) income shares in AFL, valued by TOKM on settlement at \$11,521,411. These AFL shares have been recognised by Te Kupenga o Maniapoto Ltd at 30 September 2013 at fair value of \$3,635,000 (2012: \$3,760,000) based on an external valuation, approved by the directors, to reflect the income earning potential of the shares to the Company. These AFL shares have no voting rights and are subject to various restrictions, including restrictions over sale in accordance with the Maori Fisheries Act 2004. Further income shares (4,543) were received 17 December 2012 by way of bonus share issue where a dividend was declared out of reserves with Maori Authority Credits attached. This share issue has no impact on the value of TOKM's income shares held in AFL.

<b>4. REVENUE</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Gain on fishing quota received	-	1,184,000
Annual Catch Entitlement Income (ACE)	609,425	721,628
Aotearoa Fisheries Ltd – Dividend	308,259	410,933
Aotearoa Fisheries Ltd – Bonus Shares Dividend (MACs)	1,090,320	-
Interest Income	56,993	47,006
Total Revenue	<u>\$2,064,997</u>	<u>\$2,363,567</u>
<b>5. EXPENSES</b>		
Cost of Annual Catch Entitlement (ACE) Trading	124,041	128,762
Directors' Fee	18,250	24,800
Audit Fees	8,000	8,000
Other Expenses	217,597	103,234
Total Expenses	<u>\$367,888</u>	<u>\$264,796</u>
<b>6. ACCOUNTS PAYABLE</b>		
Trade Creditors	26,307	22,103
Related Party Creditors	18,767	360,890
	<u>\$45,074</u>	<u>\$382,993</u>
<b>7. OTHER RESERVES</b>		

These reserves record movements in the valuation of Quota and AFL income shares. Increases in the carrying amount arising on revaluation are credited to these reserves. Decreases that offset previous increases are charged to these reserves.

**TE KUPENGA O MANIAPOTO LIMITED**  
**OTHER FINANCIAL AND STATUTORY INFORMATION**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

---

**PRINCIPAL ACTIVITY**

The principal activity of the company is the generation of consistent financial returns from its fisheries settlement and other assets for the benefit of its shareholder.

**DIRECTORS**

C G R Koroheke, T T Magner, D T Te Kanawa, W Wetere and P Knapp held office as directors at year end.

**INTEREST REGISTER**

The Board received no notices during the period from the directors that they had an interest in any transactions or proposed transactions by the company, other than those disclosed in Note 2.

**USE OF COMPANY INFORMATION**

The Board received no notices during the year from the directors requesting the use of company information received in their capacity as directors which would not have been otherwise available to them.

**SHARE DEALING**

No director acquired or disposed of an interest in shares in the company during the period.

**REMUNERATION AND OTHER BENEFITS**

Directors remuneration paid during the period was:

D Te Kanawa nil (2012: \$4,000)

C Koroheke \$17,400 (2012: \$24,000) (includes management fees of \$13,400 (2012: \$18,200) as disclosed in Note 2)

T Magner \$163,675 (2012: \$72,257) (includes consulting fees of \$157,675 (2012: \$65,257) as disclosed in Note 2)

W Wetere \$7,000 (2012: \$6,000) (includes management fees of \$2,000 (2012: nil) as disclosed in Note 2)

P Knapp \$3,250 (2012: nil)

A K M Shearer nil (2012: \$8,125) (includes administration fees of nil (2012: \$5,125) as disclosed in Note 2)

**EMPLOYEE REMUNERATION**

No employee received remuneration and any other benefits of more than \$100,000 during the period.

**AUDITOR**

The Directors have appointed Deloitte as auditor for the period ended 30 September 2013.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
TE KUPENGA O MANIAPOTO LIMITED**

**Report on the Financial Statements**

We have audited the financial statements of Te Kupenga o Maniapoto Limited on pages 2 to 8, which comprise the statement of financial position as at 30 September 2013, and statement of financial performance, and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Board of Directors' Responsibility for the Financial Statements***

The Board of Directors are responsible for the preparation of financial statements, in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibilities***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor, we have no relationship with or interests in Te Kupenga o Maniapoto Limited.

***Opinion***

In our opinion, the financial statements on pages 2 to 8:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of Te Kupenga o Maniapoto Limited as at 30 September 2013, and its financial performance for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 September 2013:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Te Kupenga o Maniapoto Limited as far as appears from our examination of those records.

The Deloitte logo is written in a blue, cursive script.