



Interim report

Six Months to 31 March 2008

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08

New Zealand Seafood

A Healthy Future



Directory

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Wayne Peters	Ngati Wai
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Matanuku Mahuika	Ngati Porou, Ngati Raukawa
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Craig Norgate	
Keith Sutton	

Executive Management Team

Jeremy Fleming	Chief Executive Officer
Danny McComb	Chief Financial Officer
Tom McClurg	General Manager, Strategy & Planning
Dean Moana	Chief Executive Officer, Abalone
Mike Carroll	General Manager, Operations
Russell Pierce	General Manager, Sales and Marketing
Elisha Yahel	General Manager, OPC
Don Collier	General Manager, Aquaculture

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Directors' Report

The Directors of Aotearoa Fisheries Limited (AFL) are pleased to present the Interim Report to Shareholders for the six months ended 31st March 2008.

The Group financial statements for the six months ended 31st March 2008 have been prepared under New Zealand Generally Accepted Accounting Practice (NZ GAAP). The international standard recently adopted under NZ GAAP differs from earlier standards. Consequently, for comparative purposes, the Group's 2007 financial statements have been restated to provide comparative numbers on a consistent basis. These matters are dealt with more fully in the notes to the unaudited financial statements.

For the six months ended 31st March 2008 the Group's net profit was \$17.8m compared to \$17.9m for the same period last year. Compared to our 2007/08 business plan we are ahead of where we expected to be at the end of March. This is an encouraging start to the year, particularly as we expect the second half to be significantly more challenging in our key New Zealand and Australian markets.

This result includes a net profit contribution of \$10.7 m (2007:\$10.0 m) from our 50% share of Sealord Group Limited (Sealord). The higher contribution from Sealord is a consequence of the change in accounting standards. Sealord's actual operating results reflect the continued reduction in the hoki total allowable commercial catch (TACC), poor returns from the mussel business, and difficult market conditions in the United States for product processed in China.

Directors are pleased to advise Shareholders that net cash flows contributed from operating activities for the period to 31st March increased from \$13.0m in 2007 to \$16.2m in 2008.

The quality of AFL's earnings has increased due to a greater proportion of earnings from the Group's operating Divisions. Operating earnings have benefited from quota investments and consistent focus on reducing infrastructure and processing costs. AFL has continued to build its business with high margin customers for fresh product in Australia and New Zealand and for live lobster and canned abalone in Asia.

The Group benefited from good demand for its primary products and good pricing for wetfish and oysters in key markets. All Divisions have exceeded their targets for the first half of the year which is an encouraging result given the steadily increasing cost of fuel and persistently high exchange rates. Directors are particularly pleased with the turn around in the performance of the Aquaculture Division which was severely impacted by harbour closures in the 2006/07 year.

The full integration of OPC Fish and Lobster and Kia Ora Seafoods into AFL has made a significant contribution to the Group's operating performance. Both businesses were acquired in the first half of 2006/07 and have delivered results in line with acquisition business case economics. The upgrade of the Kia Ora factory is proceeding with new blast freezer capacity coming on stream for the coming oyster harvesting season.

AFL and Sealord have both benefited from access to increased volumes of Annual Catch Entitlement (ACE) as a result of long term ACE agreements entered into with 13 Iwi during 2006/07. AFL is committed to continuing to develop its relationship with its Iwi ACE partners and to widening its commercial engagement with all its shareholders in the seafood sector.

Directors are disappointed to report that the reduction in North Island eel quota has had a severe

interest rate swaps) were not recognised in the financial statements until the instrument was exercised. In accordance with NZ IAS 39 all derivative financial instruments are recognised on the Balance Sheet at fair value. Because the Group operates hedge accounting the effective portion of any gain or loss on a derivative financial instrument is recognised directly in equity within the derivative financial instrument reserve (refer to accounting policy 4(d)).

5(m) Previously under NZ GAAP live shellfish growing on company owned farms were treated as part of inventory and were valued at the lower of cost or net realisable value. In accordance with NZ IAS 41 live shellfish growing on company owned farms are now treated as a biological asset and are recognised in the financial statements at fair value (refer to accounting policy 4(h)).

- 5(e) Under NZ GAAP the redeemable preference shares issued by AFL Investments Limited to Te Ohu Kai Moana Trustee Limited were treated as Equity. In accordance with NZ IAS 32 the redeemable preference shares are now treated as a compound financial instrument with both a liability and an equity component. At each reporting date the liability component of the redeemable preference shares is re-valued and any increase in the liability is reflected in the Income Statement as an interest expense (refer to accounting policy 4(p)).
- 5(f) On transition to NZ IFRS the above mentioned redeemable preference shares issued by AFL Investments Limited have been reclassified as a non-current liability based on the net present value of the redemption value. The difference between the issue price of \$20m and the value of the non-current liability on transition to NZ IFRS is reflected in the equity of the Group (refer to accounting policy 4(p)).
- 5(g) Previously under NZ GAAP the liability for long service leave was recognised when the employee's long service leave entitlement had vested. In accordance with NZ IAS 19, the provision for long service leave now includes the net present value of the expected future liability in respect of service by employees up to the balance date that has not yet vested in the employee (refer to accounting policy 4(m)).
- 5(h) Under previous NZ GAAP the Group amortised goodwill arising from business acquisitions over the expected useful life to a maximum of 20 years on a straight line basis. In accordance with NZ IAS 38 goodwill is no longer amortised and on transition to NZ IFRS all previously amortised goodwill has been re-instated (refer to accounting policy 4(e)i).
- 5(i) Under previous NZ GAAP deferred tax was recognised on all timing differences using the "income statement method" and the Group did not recognise the deferred tax value of tax losses carried forward within the Group's subsidiaries. In accordance with NZ IAS 12 deferred tax is now calculated on all temporary differences arising using a "balance sheet method" and a deferred tax asset is recognised for tax losses carried forward within the Group's subsidiaries on the basis that it is probable future profits will be available to utilise the tax losses (refer to accounting policy 4(l)).
- 5(j) The Group accounts for investments in associates using the "equity method" in accordance with NZ IAS 28, unchanged from previous NZ GAAP. The movement in investments in associates reflects the Group's share of associates net profit movement and changes in equity arising from associates restating their financial statements under NZ IFRS, except for movements in associates derivative financial instruments reserve which are reflected directly in the Group's equity (refer to accounting policy 4(b)).
- 5(k) Property, plant and equipment are reviewed for impairment in accordance with NZ IAS 36. The impairment of fixed assets reflects the impairment to plant and equipment at the Company's Whenuapai eel processing operations (refer to accounting policy 4(f)).
- 5(l) Under previous NZ GAAP derivative financial instruments (foreign exchange contract, options and

adverse impact on the Group's eel business. As a consequence it was decided that the eel processing operation at Whenuapai would close at the end of the season. AFL is reviewing its future eel processing options.

AFL is committed to the sustainable management of New Zealand's fisheries under the Quota Management System (QMS). Directors firmly believe that the QMS provides a solid legislative and regulatory framework for the management of New Zealand's fisheries. Sustainable management requires that all parties involved in fisheries management act responsibly and within the QMS framework.

AFL's commitment to sustainable management is demonstrated by its support for reductions in the Hoki TACC announced by the Minister of Fisheries at the start of this fishing year and its active support of further shelving of quota in the CRA4 lobster fishery. AFL will continue to work closely with Te Ohu Kai Moana Trustee Limited (TOKM) and other likeminded industry participants to ensure that catch levels are sustainable and that the value of shareholders investment in AFL is supported by good, science based, fisheries management.

Directors wish to advise Shareholders that AFL's Wellington Head Office is to relocate to Auckland in the second half of this year. This move follows the appointment of CEO Jeremy Fleming in Auckland and reflects Directors' desire to ensure that AFL's Head Office functions are able to provide the greatest level of support possible to the operating Divisions centred around Auckland.

Directors would like to extend their thanks to all AFL staff who are leaving the Company, in some cases after many years service, as a result of changes occurring within the organisation.

IFRS

The financial statements for the six month period ending 31st March 2008 are the first adoption of NZ IFRS by the Group. The impact of adopting the new standards on the reported net profit of the Group has been favourable for the period compared to the net profit that would have been reported under the previously applicable accounting standards.

The change in reporting standards has had a significant effect on the Group's reported balance sheet. These changes are shown in detail in the notes to the accompanying financial statements.

Sealord Group

Sealord is facing one of its most challenging years and is being impacted by a number of adverse external factors. This year is the fourth successive year of high exchange rates. The soaring cost of fuel oil is impacting the fishing industry more than other export sectors. Profit margins are being adversely impacted by high interest rates, inflation, and increasing levels of regulation, compounded by a slowdown in several key international markets.

Poor seasonal growing conditions have also impacted on the yields from their mussel farms and processing operations. In addition, Sealord's catch for the 2007-08 fishing year was reduced by several thousand tonnes when the Minister of Fisheries reduced the hoki, orange roughy and red cod quotas. The company, however, fully supports these reductions for the long-term sustainability of the stock.

The company is in good condition to face up to these external challenges. Sealord made a solid start to the year, with a successful hoki season, with the new technology commissioned in the 2006 season starting to perform well. At the half year revenues were tracking slightly ahead of plan. With the exception of hake, New Zealand catch has been good although landings of several key species have been a little later than in previous years. International catches have been close to plan with the exception of a tough tooth fish season in the Ross Sea.

This good catch performance has been offset by very significant rises in fuel costs. Sealord's New Zealand fishing fuel bill has increased substantially despite initiatives taken to jointly fish orange roughly on the Chatham Rise with Talley and Sanford, several conversions of vessels to light fuel oil and other initiatives to conserve fuel and energy. These steps were highlighted when, during the year, Sealord won an EECA Energywise Awards for fuel savings on the trawler *Thomas Harrison*.

The international marketing network has continued to expand and to source additional supplies of purchased product. Products purchased from other fishing companies and farmed fish now account for more than half of Sealord's total revenues, a trend the Company expects to continue.

The new plant commissioned last year at Sealord's subsidiary at Caistor in the United Kingdom has proved its worth with sales to retail chain Waitrose exceeding projections. Strong earnings from Caistor provide Sealord with a benchmark of best practices in processor and retail relationship management.

Sealord is committed to the health and safety of its people. Staff continue to improve workplace safety with the Company's Lost Time Injury Frequency rate (LTIFR) being reduced from an average of 8 last year to just above 6 this year. This compares to a LTIFR of 33 in 2003 when Sealord made improving workplace safety a top priority.

During the reporting period Whaimutu Dewes retired from the Sealord board and was replaced by Jeremy Fleming. The Sealord board has been reduced in size from eight directors to six, through the retirements of Keith Sutton and Maurice Eng, both of whom have retained an involvement through being standing alternates for Directors from AFL and Nippon Suissan respectively.

The Directors of AFL wish to thank Whaimutu who is stepping down after 15 years as a director of Sealord. Whaimutu was a founding member of the Board as Sealord is now structured and has made an outstanding contribution to the growth and success of the Company.

AFL Operating Divisions

AFL continues to operate a Divisional structure with each Division managing its own brand portfolio and supply chain from quota or marine farm to customer. Net operating cash flow contributed from AFL operations continues to show steady growth and our strategic focus remains unchanged:

- Focus on high margin customers in Australasia, USA, and Asia
- Maintain a presence in other important markets
- Align the supply chain from quota or marine farm to customer to meet customer needs
- Rationalise infrastructure to minimise costs
- Attract and retain the best people

EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

5(d) The cumulative effect on net profit under NZ GAAP FRS to NZ IFRS:

	Note	6 months ended 31 March 2008	6 months ended 31 March 2007	12 months ended 30 Sept 2007
		Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
Net profit as previously reported under NZ GAAP FRS		16,559	18,358	21,546
Interest on redeemable preference shares	5 (e)	(530)	(494)	(1,005)
Movement in long service leave provision		-	-	(20)
Goodwill on amortisation reversed	5 (h)	-	-	103
Movement in deferred tax	5 (i)	(314)	-	(1,059)
Movement in investments in associates	5 (j)	2,069	10	(2,328)
Impairment of fixed assets	5 (k)	-	-	(162)
Fair value of derivatives	5 (l)	(8)	6	7
IFRS adjustments to net profit		1,217	(478)	(4,464)
Net profit under NZ equivalent to IFRS		17,776	17,880	17,082

EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

5(c) The cumulative effect on retained earnings under NZ GAAP FRS to NZ IFRS:

	Note	As at	As at	As at
		31 March 2008	31 March 2007	30 Sept 2007
		Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
Retained earnings as previously reported under NZ GAAP FRS		68,136	48,389	51,577
Interest on redeemable preference shares	5 (e)	(1,534)	(494)	(1,005)
Equity value of redeemable preference shares	5 (f)	6,157	6,157	6,157
Sick leave provision		(30)	(30)	(30)
Long service leave provision	5 (g)	(478)	(458)	(478)
Goodwill on amortisation reversed	5 (h)	103	-	103
Deferred tax	5 (i)	6,198	7,571	6,512
Investments in associates	5 (j)	(259)	10	(2,328)
Impairment of fixed assets	5 (k)	(162)	-	(162)
Fair value of derivatives	5 (l)	(1)	6	7
IFRS adjustments to retained earnings		9,994	12,762	8,776
Retained earnings under NZ equivalent to IFRS		78,130	61,151	60,353

AFL Inshore

The Inshore Division spans wetfish, lobster, and eel harvesting, processing, and marketing. The Division trades predominantly under the Moana Pacific brand.

The Division's wetfish business has had a strong first half derived from good demand for key wetfish species in the quarter leading up to the Christmas / New Year period, associated with good pricing in the domestic and Australian markets. Demand in the second quarter has been impacted by the general tightening of both economies. This factor has been countered by careful management of supply, allowing the Division to maintain wetfish prices despite tight market conditions. Rising fuel prices are putting significant pressure on fisher costs and have required an increase in beach prices for some species.

The Division's lobster business has had a satisfactory first half despite the impact of shelving in CRA4. Fisheries have performed well and pricing for live lobster into Asia has been satisfactory, particularly for the Chinese New Year period. Opening of the new plant at Awatoto has allowed us to continue our strategy of rationalising our lobster infrastructure.

The eel business has been severely affected by the reduction in North Island eel TACC announced by the Minister of Fisheries at the start of the fishing year. The Division has closed the eel processing facility at Whenuapai to adjust its cost structures in response to the lower volumes.

OPC Fish and Lobster

OPC Fish and Lobster was acquired by AFL in 2007. OPC operations span wetfish, lobster, and scallop harvesting, processing, and marketing under the OPC brand. OPC's lobster marketing is undertaken by the Inshore Division.

OPC has had a strong first half, benefitting from the same market dynamics as experienced by the Inshore Division. However the scallop fishery has underperformed with very low volumes being harvested.

AFL Aquaculture

AFL Aquaculture concentrates on pacific oyster farming, processing, and marketing under the Pacific Marine Farms, Kia Ora, and Jemco brands.

The Division has experienced good demand for frozen product into Australia and fresh product in the Pacific. The important Japanese market, serviced under the Jemco brand, remains challenging.

The Kia Ora business was acquired during the 2006/07 year and is now fully integrated into the Division. Upgrade of the blast freezer capacity of the Kia Ora factory in Wiri in South Auckland is underway and on track for completion prior to the start of the new oyster harvesting season in May. Farm production has been in line with expectation with minimal production lost to harbour closures. The main harvesting programme is still to occur over the upcoming winter and spring months. The Division benefits from the geographic spread of its farm portfolio as adverse external factors seldom impact on all farms at the same time.

AFL Abalone

Prepared Foods spans abalone processing and marketing and retort pouch meal production. Abalone is marketed as canned product into Asia while retort pouch meals are supplied to defence forces in New Zealand, Australia and the United Kingdom. Abalone harvesting operations are managed by AFL's joint venture partner Ocean Ranch (New Zealand) Limited.

The Division experienced strong demand for canned abalone product in the period leading up to the Chinese New Year and was able to bring forward sales volume that was planned for the second half of the year. Abalone prices have been slightly behind expectation in New Zealand dollar terms reflecting market resistance to fully absorbing the impact of the high New Zealand dollar on local returns.

The retort pouch meal business was established to allow the Palmerston North factory to be fully utilised in the abalone off-season. The business is now a significant contributor to AFL's overall returns and continues to grow.

Outlook

Business conditions in the second half are expected to be challenging. The domestic and Australian economies, particularly in the key Sydney and Melbourne markets, are entering a period of some uncertainty as households adjust to significant increases in debt servicing costs, higher petrol costs, and increases in the cost of many basic food items. Rising fuel and general inflationary pressures will also continue to impact on our own operating cost structures. Management expect that domestic demand for fresh seafood will tighten, placing some pressure on both volume and prices.

From previous page

Current liabilities				
Payables		4,666	-	4,666
Employee entitlements	5 (g)	1,226	508	1,734
Total current liabilities		5,892	508	6,400
Non-current liabilities				
Borrowings		42,850	-	42,850
Redeemable preference shares	5 (e)	-	15,378	15,378
Provision for taxation		2	-	2
Deferred tax liability	5 (i)	-	2,371	2,371
Total non-current liabilities		42,852	17,749	60,601
Total liabilities		48,744	18,257	67,001
Net assets		375,115	(7,668)	367,447

EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

5(b) Reconciliation of equity under NZ GAAP FRS to equity under NZ IFRS As at 31 March 2008

	Note	NZ GAAP FRS \$'000	Effect of Transition to NZ IFRS \$'000	NZ IFRS \$'000
Shareholders' equity				
Total equity on incorporation		-	-	-
Capital contributed		286,979	-	286,979
Derivative financial instruments reserves	5 (l)	-	2,339	2,339
Redeemable preference shares	5 (f)	20,000	(20,000)	-
Retained earnings		68,136	9,993	78,129
Total shareholders' equity		375,115	(7,668)	367,447
Current assets				
Cash and bank balances		1,352	-	1,352
Receivables and prepayments		8,878	-	8,878
Inventories	5 (m)	5,479	(819)	4,660
Biological assets	5 (m)	-	819	819
Derivative financial instruments	5 (l)	-	570	570
Total current assets		15,709	570	16,279
Non-current assets				
Property, plant and equipment	5 (k)	18,229	(162)	18,067
Investments in associates	5 (j)	200,856	1,509	202,365
Intangibles - quota shares		174,380	-	174,380
Intangibles - goodwill	5 (h)	4,023	103	4,126
Intangibles - marine farm licences		4,930	-	4,930
Other long term assets		6,518	-	6,518
Deferred tax asset	5 (i)	(786)	8,569	7,783
Total non-current assets		408,150	10,019	418,169
Total assets		423,859	10,589	434,448

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CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2008

	6 months ended 31 March 2008	6 months ended 31 March 2007	12 months ended 30 September 2007
	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
Sales revenue	57,397	47,553	96,230
Gain on disposal of assets	14	3,014	3,163
Foreign currency exchange gains	301	259	914
Other revenue	4,147	4,974	5,240
Total operating revenue	61,859	55,800	105,547
EBITDA	10,349	10,418	13,565
Depreciation	(1,303)	(1,281)	(2,623)
Interest expense	(2,000)	(1,241)	(3,074)
Operating profit before taxation	7,046	7,896	7,868
Income tax	-	-	-
Net profit after taxation	7,046	7,896	7,868
Share of associate companies net profit	10,730	9,984	9,214
Net profit for the period	17,776	17,880	17,082

The unaudited financial statements for 30 September 2007 have been based on the audited financial statements of the Group adjusted for the transition to NZ IFRS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2008

	Capital Contributed	Derivative financial instruments reserve - Company
	Unaudited \$'000	Unaudited \$'000
Balance at 1 October 2006	286,979	(27)
Effective portion of changes in fair value of cash flow hedges	-	1,010
Income and expense recognised directly in equity	-	1,010
Net profit for the period	-	-
Total recognised income and expense	-	1,010
Balance as at 31 March 2007	286,979	983
Balance at 1 October 2007	286,979	438
Effective portion of changes in fair value of cash flow hedges	-	133
Income and expense recognised directly in equity	-	133
Net profit for the period	-	-
Total recognised income and expense	-	133
Balance as at 31 March 2008	286,979	571

From previous page

Current liabilities				
Payables		14,757	-	14,757
Employee entitlements	5 (g)	1,321	508	1,829
Total current liabilities		16,078	508	16,586
Non-current liabilities				
Borrowings		45,875	-	45,875
Redeemable preference shares	5 (e)	-	14,848	14,848
Provision for taxation		22	-	22
Deferred tax liability	5 (i)	-	1,711	1,711
Total non-current liabilities		45,897	16,559	62,456
Total liabilities		61,975	17,067	79,042
Net assets		358,556	(4,662)	353,894

EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

5(a)iii Reconciliation of equity reported under NZ GAAP FRS to equity under NZ IFRS

As at 30 September 2007

	Note	NZ GAAP FRS \$'000	Effect of Transition to NZ IFRS \$'000	NZ IFRS \$'000
Shareholders' equity				
Total equity on incorporation		-	-	-
Capital contributed		286,979	-	286,979
Derivative financial instruments reserves	5 (l)	-	6,562	6,562
Redeemable preference shares	5 (f)	20,000	(20,000)	-
Retained earnings		51,577	8,776	60,353
Total shareholders' equity		358,556	(4,662)	353,894
Current assets				
Cash and bank balances		1,774	-	1,774
Receivables and prepayments		20,021	-	20,021
Inventories	5 (m)	5,354	(822)	4,532
Biological assets	5 (m)	-	822	822
Derivative financial instruments	5 (l)	-	445	445
Total current assets		27,149	445	27,594
Non-current assets				
Property, plant and equipment	5 (k)	18,540	(162)	18,378
Investments in associates	5 (j)	192,231	3,796	196,027
Intangibles - quota shares		167,941	-	167,941
Intangibles - goodwill	5 (h)	4,023	103	4,126
Intangibles - marine farm licences		4,930	-	4,930
Other long term assets		6,503	-	6,503
Deferred tax asset	5 (i)	(786)	8,223	7,437
Total non-current assets		393,382	11,960	405,342
Total assets		420,531	12,405	432,936

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Derivative financial instruments reserve - Associates	Retained earnings	Total
Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
-	43,271	330,223
3,425	-	4,435
3,425	-	4,435
-	17,880	17,880
3,425	17,880	22,315
3,425	61,151	352,538
6,124	60,353	353,894
(4,356)	-	(4,223)
(4,356)	-	(4,223)
-	17,776	17,776
(4,356)	17,776	13,553
1,768	78,129	367,447

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	As at 31 March 2008	As at 31 March 2007	As at 30 Sept 2007
	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
Shareholders' equity			
Total equity on incorporation	-	-	-
Capital contributed	286,979	286,979	286,979
Derivative financial instruments reserves	2,339	4,408	6,562
Retained earnings	78,129	61,151	60,353
Total shareholders' equity	367,447	352,538	353,894
Current assets			
Cash and bank balances	1,352	236	1,774
Receivables and prepayments	8,878	12,174	20,021
Inventories	4,660	4,971	4,532
Biological assets	819	763	822
Derivative financial instruments	570	989	445
Total current assets	16,279	19,133	27,594
Non-current assets			
Property, plant and equipment	18,067	17,398	18,378
Investments in associates	202,365	202,033	196,027
Intangibles - quota shares	174,380	157,289	167,941
Intangibles - goodwill	4,126	3,932	4,126
Intangibles - marine farm licences	4,930	4,253	4,930
Other long term assets	6,518	6,114	6,503
Deferred tax asset	7,783	7,349	7,437
Total non-current assets	418,169	398,368	405,342
Total assets	434,448	417,501	432,936

From previous page

Current assets				
Cash and bank balances		236	-	236
Receivables and prepayments		12,174	-	12,174
Inventories	5 (m)	5,734	(763)	4,971
Biological assets	5 (m)	-	763	763
Derivative financial instruments	5 (l)	-	989	989
Total current assets		18,144	989	19,133
Non-current assets				
Property, plant and equipment		17,397	-	17,397
Investments in associates	5 (j)	198,598	3,435	202,033
Intangibles - quota shares		157,289	-	157,289
Intangibles - goodwill		3,932	-	3,932
Intangibles - marine farm licences		4,253	-	4,253
Other long term assets		6,114	-	6,114
Deferred tax asset	5 (i)	(786)	8,135	7,349
Total non-current assets		386,797	11,570	398,367
Total assets		404,941	12,559	417,500
Current liabilities				
Payables		22,369	-	22,369
Employee entitlements	5 (g)	1,175	488	1,663
Total current liabilities		23,544	488	24,032
Non-current liabilities				
Borrowings		26,000	-	26,000
Redeemable preference shares	5 (e)	-	14,337	14,337
Provision for taxation		29	-	29
Deferred tax liability	5 (i)	-	564	564
Total non-current liabilities		26,029	14,901	40,930
Total liabilities		49,573	15,389	64,962
Net assets		355,368	(2,830)	352,538

From previous page

Current liabilities				
Payables		10,019	-	10,019
Employee entitlements	5 (g)	1,495	488	1,983
Total current liabilities		11,514	488	12,002
Non-current liabilities				
Borrowings		38,000	-	38,000
Redeemable preference shares	5 (e)	-	13,843	13,843
Provision for taxation		30	-	30
Deferred tax liability	5 (i)	-	564	564
Total non-current liabilities		38,030	14,407	52,437
Total liabilities		49,544	14,895	64,439
Net assets		337,010	(6,787)	330,223

EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

5(a)ii Reconciliation of equity reported under NZ GAAP FRS to equity under NZ IFRS
As at 31 March 2007

	Note	NZ GAAP FRS \$'000	Effect of Transition to NZ IFRS \$'000	NZ IFRS \$'000
Shareholders' equity				
Total equity on incorporation		-	-	-
Capital contributed		286,979	-	286,979
Derivative financial instruments reserves	5 (l)	-	4,408	4,408
Redeemable preference shares	5 (f)	20,000	(20,000)	-
Retained earnings		48,389	12,762	61,151
Total shareholders' equity		355,368	(2,830)	352,538

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CONSOLIDATED BALANCE SHEET continued...

As at 31 March 2008

	As at 31 March 2008 Unaudited \$'000	As at 31 March 2007 Unaudited \$'000	As at 30 Sept 2007 Unaudited \$'000
Current liabilities	-		
Payables	4,666	22,370	14,757
Employee entitlements	1,734	1,663	1,829
Total current liabilities	6,400	24,033	16,586
Non-current liabilities			
Borrowings	42,850	26,000	45,875
Redeemable preference shares	15,378	14,337	14,848
Provision for taxation	2	29	22
Deferred tax liability	2,371	564	1,711
Total non-current liabilities	60,601	40,930	62,456
Total liabilities	67,001	64,963	79,042
Net assets	367,447	352,538	353,894

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2008

	6 months ended 31 March 2008	6 months ended 31 March 2007	12 months ended 30 September 2007
	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers	62,507	47,940	99,011
Interest received	488	411	476
Dividends received - associates	8,000	8,000	8,000
	70,995	56,351	107,487
Cash was disbursed to:			
Payments to suppliers and employees	52,588	41,975	85,774
Interest paid	2,160	1,349	3,257
Taxation paid	20	-	-
	54,768	43,324	89,031
Net cash flows from operating activities	16,227	13,027	18,456
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment	31	3,567	4,452
Other	-	42	-
	31	3,609	4,452
Cash was disbursed to:			
Purchase of quota	12,571	5,610	22,361
Purchase of property, plant and equipment	1,013	3,242	6,106
Purchase of other investments	-	82	5,297
Other	15	-	-
	13,599	8,934	33,764
Net cash flows from investing activities	(13,568)	(5,325)	(29,312)

EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

5(a)i Reconciliation of equity reported under NZ GAAP FRS to equity under NZ IFRS
At the date of transition to NZ IFRS: 1 October 2006

	Note	NZ GAAP FRS \$'000	Effect of Transition to NZ IFRS \$'000	NZ IFRS \$'000
Shareholders' equity				
Total equity on incorporation		-	-	-
Capital contributed		286,979	-	286,979
Derivative financial instruments reserves	5 (l)	-	(27)	(27)
Redeemable preference shares	5 (f)	20,000	(20,000)	-
Retained earnings		30,031	13,240	43,271
Total shareholders' equity		337,010	(6,787)	330,223
Current assets				
Cash and bank balances		4,534	-	4,534
Receivables and prepayments		18,116	-	18,116
Inventories	5 (m)	5,987	(677)	5,310
Biological assets	5 (m)	-	677	677
Derivative financial instruments	5 (l)	-	(27)	(27)
Total current assets		28,637	(27)	28,610
Non-current assets				
Property, plant and equipment		16,287	-	16,287
Investments in associates		188,542	-	188,542
Intangibles - quota shares		143,465	-	143,465
Intangibles - goodwill		-	-	-
Intangibles - marine farm licences		4,253	-	4,253
Other long term assets		6,156	-	6,156
Deferred tax asset	5 (i)	(786)	8,135	7,349
Total non-current assets		357,917	8,135	366,052
Total assets		386,554	8,108	394,662

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in 20) above. The probability of default in a one year period is assessed to be 0% and therefore the guarantee has no fair value at balance date.

4(r) Significant Accounting Judgements in Applying the Group's Accounting Policies

The preparation of the financial statements in conformity with NZ IFRS requires the use of critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from the judgements, estimates and assumptions. The areas where significant judgements, estimates and assumptions made by management in the preparation of these financial statements include:-

i. Impairment of Intangibles and Investments in Associates

The Group assesses Goodwill, Quota Shares, Marine Farm Licences and Investments in Associates for impairment in accordance with the accounting policies outlined above.

ii. Redeemable Preference Shares

The Group re-values the liability associated with the RPS at each reporting date in accordance with the accounting policies outlined above based on the net present value of the liability at redemption. Significant judgement is required with respect to determining the redemption date on which to base the re-valuation and the Group has used the earliest possible redemption date being 29 November 2011.

iii. Recovery of Deferred Tax Assets

Deferred tax assets are recognised for tax losses as management considers that it is probable that future taxable profits will be available to utilise these tax losses.

5. Explanation of Transition to NZ IFRS

The financial statements for the six months ended 31 March 2008 are the first financial statements that are prepared under NZ IFRS. The Group has applied NZ IFRS in preparing these financial statements.

The Company's transition date is 1 October 2006. The Group prepared its opening IFRS Balance Sheet at that date. The Group's NZ IFRS adoption date is 1 October 2007.

In preparing these financial statements in accordance with NZ IFRS 1 the Group has applied the mandatory exemptions and none of the optional exemptions from full retrospective application of NZ IFRS.

In preparing its opening NZ IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (NZ GAAP FRS). Explanations of how the transition from NZ GAAP FRS to NZ IFRS has affected the Group's financial position, financial performance and cashflows are set out in the following notes.

There are no material differences between the Cash Flow Statement presented under NZ IFRS and the Cash Flow Statement presented under NZ GAAP FRS.

CONSOLIDATED STATEMENT OF CASH FLOWS continued...

For the six months ended 31 March 2008

	6 months ended 31 March 2008	6 months ended 31 March 2007	12 months ended 30 September 2007
	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
Cash flows from financing activities			
Cash was provided from:			
Borrowings	-	-	7,875
Advances from related parties	(56)	-	221
	(56)		8,096
Cash was disbursed to:			
Repayment of borrowings	3,025	12,000	-
	3,025	12,000	-
Net cash flows from financing activities	(3,081)	(12,000)	8,096
Net decrease in cash held	(422)	(4,298)	(2,760)
Cash at the beginning of the period	1,774	4,534	4,534
Cash at the end of the period	1,352	236	1,774
Comprising:			
Cash and bank balances	1,352	236	1,774

CONSOLIDATED RECONCILIATION OF NET PROFIT FOR THE PERIOD WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

For the six months ended 31 March 2008

	6 months ended 31 March 2008	6 months ended 31 March 2007	12 months ended 30 September 2007
	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
Reported net profit for the period	17,776	17,880	17,082
Add (less) non-cash items and non-operating items:			
Depreciation	1,303	1,281	2,726
Share of retained earnings of associates	(10,730)	(9,984)	(1,214)
Gain on sale of property, plant and equipment	(11)	(3,126)	(3,218)
Fair value of derivatives	8	(6)	(7)
Redeemable preference shares interest	530	494	1,005
Deferred tax	314	-	1,059
Other	36	-	83
	(8,550)	(11,341)	434
Movement in working capital:			
Decrease (increase) in receivables and prepayments	8,275	6,717	(150)
Decrease (increase) in related party receivables	427	(28)	780
(Increase) decrease in inventory	(125)	253	633
(Decrease) increase in payables	(1,650)	362	400
Increase (decrease) in related party payables	191	(495)	(559)
Decrease in employee entitlements	(96)	(320)	(153)
Decrease in provision for taxation	(21)	(1)	(8)
Gain on sale of property, plant and equipment	-	-	(3)
	7,001	6,488	940
Net cash flows from operating activities	16,227	13,027	18,456

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary timing differences or tax losses can be utilised.

4(m) Employee Entitlements

Liabilities for annual leave, long service leave and accumulating sick leave are accrued and recognised in the Income Statement.

The liability for annual leave is measured at the amount expected to be paid when the leave liability is settled.

The liability for long service leave is recognised and measured as the present value of expected future payments made in respect of services provided by employees up to reporting date. Consideration is given to expected future wage and salary levels, probability of employee departures and periods of service.

The liability for accumulating sick leave is recognised based on the expectation that the Group will pay sick leave with respect to the unused entitlement that has accumulated at the reporting date. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

4(n) Revenue Recognition

Revenue comprises the fair value of the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of any goods and services tax, rebates and discounts.

4(o) Goods and Services Tax (GST)

The Income Statement and Statement of Cash Flows have been prepared so that all components are stated as net of GST. All items in the Balance Sheet are net of GST, with the exception of receivables and payables which include GST invoiced.

4(p) Redeemable Preference Shares (RPS)

On 22 December 2004 AFL Investments Limited issued \$20m of RPS to Te Ohu Kai Moana Trustee Limited in full and final settlement of \$20m of shareholder loans transferred to AFL Investments as part of the transfer of assets under the MFA.

The RPS is defined as a compound financial instrument under NZ IAS32 with an equity component and a liability component. The liability component has been recognised as a non-current liability and measured at the net present value of the redemption value at the reporting date. On transition to IFRS the equity component of the RPS has been recognised as the difference between the issue price and the recognised liability. The RPS liability is re-measured at each reporting date and any change in the value of the liability is recognised in the Income Statement as interest expense.

4(q) Guarantees

Financial guarantees provided by the Group are recognised at their fair value. Fair value is assessed using a probability weighted discounted cash flow approach.

At balance date the Group has issued a guarantee to Te Ohu Kai Moana with respect to the performance of its 100% owned subsidiary, AFL Investments Limited, with respect to the RPS outlined

	YEARS
Buildings	10 - 50
Leasehold improvements	3 - 30
Furniture, fittings and office equipment	2 - 10
Marine farm structures	14
Motor vehicles	3 - 8
Plant and machinery	2 - 20
Vessels	2 - 14

4(h) Inventory

Inventory is stated at the lower of cost or net realisable value.

Cost is determined on a weighted average basis and includes the expenditure incurred in bringing inventory to its existing condition and location. Costs include an appropriate share of fixed overheads which are allocated on the basis of normal production capacity. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

i. Biological Assets

Biological assets relate to the Group's inventories of live shellfish growing on farms owned and operated by the Company. Biological assets are stated at fair value less point-of-sale costs, with any change therein recognised in the Income Statement. Biological assets are transferred to inventory at the time of harvest.

4(i) Receivables

Receivables are initially recorded at fair value. Receivables are reviewed periodically for impairment and a provision for impairment of receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Bad debts are written off in the period in which they are identified.

4(j) Investments

Investments are stated at the lower of cost or net realisable value.

4(k) Investments in Subsidiaries

Investments in subsidiaries and any advances to and from subsidiaries are stated at the lower of cost or their recoverable amount.

4(l) Taxation

Income tax is calculated after adjusting for any temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax bases and unused tax losses.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. Deferred tax is determined using the tax rates that have been enacted at balance date and are expected to apply when the deferred tax is settled.

Statement of Accounting Policies

For the six months ended 31 March 2008

1. REPORTING ENTITY

Aotearoa Fisheries Limited (AFL) was incorporated on 26 November 2004. The AFL Group of Companies consists of the Company, its subsidiaries and associates.

On 29 November 2004 the Company was the recipient of assets and liabilities transferred as part of the Maori Fisheries Act 2004 (MFA). The transfer was accounted for as a purchase transaction and the net fair value of the assets received by the Company was treated as capital contributed to the Company by its shareholders.

2. STATUTORY BASE

The Company is registered under the Companies Act 1993. The financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), the MFA and should be read in conjunction with the previous annual report.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and with NZ IAS 34 (*Interim Financial Statements*). These are AFL's first interim financial statements prepared in accordance with NZ IFRS. NZ IFRS 1 (*First-time Adoption of New Zealand Equivalents to International Reporting Standards*) has been applied. The financial statements do not include all of the information required for full annual financial statements. The year ending 30 September 2008 will be the Group's first full year financial statements which comply with NZ IFRS.

The financial statements have been prepared on the historical cost basis except where indicated otherwise within the specific accounting policies.

Where the financial statements include unaudited NZ IFRS comparatives for the year ended 30 September 2007 these are based on the audited financial statements of the Group adjusted for the transition to NZ IFRS.

Reconciliation and descriptions of the effects of the transition to NZ IFRS on the Group's equity, net profit and retained earnings are provided.

4. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies, which materially affect the measurement of financial performance and the financial position, have been applied consistently to all periods presented in these financial statements.

4(a) Consolidated Accounts

The financial statements incorporate all of the assets and liabilities of all subsidiaries as at balance date using the purchase method of consolidation. All significant inter-company transactions are eliminated on consolidation. Subsidiaries' accounting policies are consistent with the policies adopted by the Group.

4(b) Associate Companies

The Group has investments in Associated Companies that are jointly controlled entities. Jointly controlled entities are accounted for by the equity method as described in NZ IAS 28. The Group's share of any net profit and any changes in the associates equity that have not been recognised in the associates net profit are recognised in the Income Statement and the carrying value of the investment in associates, with the exception that movements in the associates derivative financial instruments reserve are recognised directly in equity. Dividends received are credited against the carrying value of the investment in associates.

The Group's investments in Associate Companies are assessed for impairment annually. Associate Companies' accounting policies are consistent with the policies adopted by the Group.

4(c) Foreign Currency Translation

i. Functional Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in New Zealand dollars, which is the Company's functional and presentational currency.

ii. Transactions and Balances

Transactions in foreign currencies are converted into the functional currency using the exchange rates prevailing at the dates of the transaction.

At the end of the reporting period foreign currency assets and liabilities are translated into the functional currency at the closing rate. Revenue and expense items are translated at the spot rate at the transaction date or a rate approximating that rate. Any foreign exchange gains and losses arising from these transactions are recognised in the Income Statement except when deferred in equity as qualifying cash flow hedges.

4(d) Derivative Financial Instruments

The Group uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rates fluctuations. Such derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured at their fair value.

The Group's policy is to apply cash flow hedging in accordance with NZ IAS 39. Cash flow hedges are hedges of the Group's exposure to variability in cash flow that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of any gain or loss on a hedging instrument is recognised directly in equity within the derivative financial instruments reserve, while the ineffective portion is recognised in the Income Statement.

Amounts taken to equity through the derivative financial instrument reserve are transferred to the Income Statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

If a forecast transaction is no longer expected to occur, amounts previously recognised in the derivative financial instruments reserve are transferred to the Income Statement. If a hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity in the derivative financial instrument reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount in equity is taken to the Income Statement.

4(e) Intangible Assets

i. Goodwill

Goodwill arising from acquisitions is included within intangible assets. Goodwill represents the excess of cost of an acquisition over the fair value of the business assets and liabilities acquired at the time of acquisition. Goodwill is not amortised, but is assessed for impairment annually or whenever there is an indication of impairment. Goodwill is carried at cost less any accumulated impairment losses, accumulated impairment losses are not subsequently reversed.

Goodwill acquired through business combinations is allocated to the individual cash generating unit for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

ii. Quota Shares and Marine Farm Licences

Quota shares and marine farm licences are treated as intangible assets with an indefinite life. Quota shares and marine farm licences purchased by the Group are recorded at cost. Quota shares and marine farm licences are not amortised and are carried at cost less any accumulated impairment losses.

Impairment losses are recognised whenever the carrying amount of an asset exceeds its recoverable amount. Intangible assets with indefinite useful lives are tested for impairment annually or whenever there is an indication of impairment on an individual basis or at a cash generating unit level. The useful life is assessed annually to determine whether the indefinite life assessment continues to be supportable.

4(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Any gains and losses on the disposal of property, plant and equipment are included in the Income Statement. Impairment is tested when there are indicators of impairment.

4(g) Depreciation of Property, Plant and Equipment

Depreciation is calculated using a combination of straight line rates and diminishing values to write-off the cost of depreciable assets over their expected useful economic life. Depreciation rates and the expected useful economic life of depreciable assets are regularly reviewed and adjusted as and when required.