



AOTEAROA  
*fisheries limited*



## Interim Report

Six Months to 31 March 2009

09

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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 31 March 2009.

### Performance

For the six months ended 31 March 2009, AFL's net profit after income tax was \$15.4 million compared to \$16.1 million for the same period last year. The decline from prior year is due to a reduction in Sealord earnings from a net profit contribution of \$10.7million to \$7.9 million from our 50% share of Sealord Group Limited.

Cash flows from operating activities for the six months ended 31 March 2009 are \$13.8 million compared to \$16.2 million from the prior year.

Compared to our 2008/09 business plan we are \$4.6 million behind our target of \$20.0 million net profit after tax for the half year. The financial year started off well, with revenue and profits in line with plan, however the global recession had a marked impact on sales of canned abalone into Singapore and Hong Kong for the Chinese New Year season. Canned abalone is a premium luxury food item sold into Asia. During November the Abalone division experienced a significant reduction in orders and pressure on price from competing supply from Australia, resulting in under performance against plan.

Sales of chilled and frozen fish from the Inshore division, which sells under the Moana Pacific brand, have been steady, although certain markets have been patchy. Oyster sales from the Aquaculture division were in line with plan for the first quarter, although the second quarter has seen weakening in demand in the Australian and Japanese markets.

OPC Fish and Lobster has had a satisfactory six months and has been able to take advantage of selling into niche markets under the OPC and Royal Jade brands. OPC has for the third time running won the "Best Supplier Interstate or Overseas" category in the prestigious annual Sydney Fish Market seafood excellence awards.

Lobster, sold under the Moana Pacific and OPC brands, experienced strong demand and pricing through to the end of March. While lobster demand has also been affected by the economic recession, constrained supply from Australia has allowed New Zealand exporters to achieve very attractive pricing.

Like all exporters AFL has experienced a very volatile, although generally positive, foreign exchange market for the US and Australian dollars, our two major trading currencies. AFL manages its foreign exchange exposures under a Board approved treasury policy with the objective of smoothing volatility, with forecast foreign exchange exposures covered up to 12 months in advance. The rapid devaluation of the New Zealand dollar against the US and Australian dollars since 1 October 2008 has resulted in AFL incurring losses against forward cover taken out prior to the commencement of the 2009 financial year. Existing foreign exchange hedges also have the effect of delaying when AFL will benefit from the lower US and Australian rates.

## Directors' Report

### Key Developments

During October 2008 AFL completed the transaction and payment of two strategic parcels of quota shares. The first was the payment for a parcel consisting of 834mt of key mixed inshore Area 1 stocks which is being utilised by the OPC division to service the local and Australian chilled fish markets. The second was the settlement for the purchase of Ocean Ranch (New Zealand) Limited's share of the Prepared Foods Limited joint venture abalone business. Ocean Ranch, AFL's long standing partner, played a core role in managing the beach operation for the joint venture and key staff have been retained to ensure operational continuity.

In February this year AFL entered into an agreement with the Hokotehi Mori Trust, under which AFL has purchased 20 tonnes of crayfish quota. The agreement provides the Hokotehi Mori Trust an annual option to buy back the quota at market rates within the next 10 years. In the event that the option is exercised AFL will be able to lease the ACE for the quota for a period of 10 years from the date the option is exercised.

The Abalone division in addition to producing canned abalone, prepares retort pouch meals for the defence forces in New Zealand, Australia and the United Kingdom. This business was established to allow the Division's Palmerston North factory to be fully utilised in the abalone off-season. The Division, in conjunction with joint venture partner Wellington based Multi-Pack Limited has secured a contract to supply full ration packs to the Australian Defence Force. This business complements the existing defence retort pouch operation and is a significant success for the Division. Sales of ration packs to the Defence Force will commence in the latter part of the year.

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 active support of the reduction in the CRA3 and CRA4 Total Allowable Commercial Catch, which the Minister of Fisheries has announced will take effect from the April 2009 season.

The New Zealand Food Safety Authority (NZFSA) has undertaken a review of its application of European Union requirements to seafood processing plants following a visit by EU inspectors in December 2008. The review will effectively raise standards to bring the seafood industry in line with other food exporting industries. AFL's operations at Pukekohe and Seafood Processors Limited at Westfield in Auckland, have passed inspection but will require a high level of ongoing investment than has been the case in the past.

## Directors' Report

### Sealord Group

Sealord is delivering good results in a year of financial turmoil and performance to 31 March is virtually on plan.

The global financial crisis has had both positive and negative impacts on the business. Sealord benefited from the drop in fuel prices but has experienced a significant slowing of demand in Europe, contraction at the top end of the United States market, and cautious buying behaviour by Asian customers.

Global pricing has been mixed, but despite the tough trading environment, revenues from all markets, except for Spain, have held up well.

In most parts of mainland Europe, food service sales have been sluggish but sales of fish block very strong. The exception is Spain, which has been hard hit by the financial crisis and has experienced a dramatic downturn in demand for seafood.

The New Zealand and United Kingdom markets have performed extremely well. There has been excellent growth in canned tuna products in New Zealand and in pre-pack and coated products in the United Kingdom. The US market has also performed well, with good sales of competitively priced orange roughy.

New Zealand catches of hoki, orange roughy and pelagics have been good and surveys show encouraging signs of a resurgence in hoki stock numbers. International catches are close to plan and Sealord is moving towards 100 percent ownership of the Argentinean fishing company Yuken. Yuken, which catches and processes hoki, hake and associated species, is one of the largest fishing companies in Argentina. Increasing its investment in Yuken is part of Sealord's strategy to develop new fish supplies and further expand its global network.

Sealord's joint venture in-shore fishing business, Westfleet, continues to increase its supply of fresh fish to Australia and New Zealand, and Sealord is steadily building its position in the Australian market through its partnership with Australian company Kailis Brothers.

At the beginning of the 2008-09 financial year Sealord launched a three-year strategy to lift performance and grow the business. As part of this strategy it converted its Nelson mussel processing plant from halfshell to mussel without shell and upgraded the plant. In March this year Sealord embarked on major restructuring at its Nelson wetfish plant to make processing on land viable relative to processing at sea and, as part of that, transferred 7000 tonnes of processing to sea on the freezer trawler Independent 1, as from May 2009. Independent 1, which replaces the fresh fish trawler Taimania, is the second vessel to join the Sealord fleet this year.

Sealord continues its focus on health and safety. It has been commended by the Accident Compensation Corporation for performing better than the industry average and the employers account in general.

## Directors' Report

### Outlook

While sales of chilled and frozen fish have held up reasonably well to the end of March, we have a cautious outlook for the remainder of the year. The indicators are that the New Zealand economy will remain in recession for the balance of the financial year. The Australian economy, particularly in the key Sydney and Melbourne markets, remains constrained with a generally negative outlook. Markets in Europe and the United States are proving particularly difficult as the effects of the economic recession are felt. Eastern Europe and Spain have seen sharp contractions in demand.

Demand for canned abalone in Hong Kong and Singapore remains soft. We expect to face strong competition over the balance of the year and leading up to the Chinese New Year in January 2010.

The Directors are anticipating a difficult second half of the year as a result of the continuing challenging trading conditions in Europe and Asia and highly volatile exchange rates. The Directors expect that net profit after tax will remain below plan and may fall below last year. Results will be strongly influenced by Sealord's operating results in the April to June quarter and one-off costs and gains associated with restructuring at Nelson and investment in Argentina.

## Consolidated Income Statement

For the six months ended 31 March 2009

	Note	6 months ended 31 March 2009	6 months ended 31 March 2008	12 months ended 30 September 2008
		Unaudited \$'000	Unaudited \$'000	Audited \$'000
Sale of goods		80,848	57,397	106,590
Other revenue		4,968	4,147	7,186
Revenue		85,816	61,544	113,776
Other (expense)/income	3	(4,147)	363	305
Cost of sales		(55,520)	(39,732)	(83,092)
Distribution expenses		(2,924)	(2,847)	(5,281)
Other expenses		(11,024)	(11,259)	(13,590)
Finance costs		(4,749)	(2,674)	(5,206)
Share of profit of associates		7,923	10,730	12,128
<b>Profit before income tax</b>		<b>15,375</b>	<b>16,125</b>	<b>19,040</b>
Income tax expense		-	-	-
<b>Profit after income tax</b>		<b>15,375</b>	<b>16,125</b>	<b>19,040</b>

## Consolidated Balance Sheet

As at 31 March 2009

	Note	As at 31 March 2009	As at 31 March 2008	As at 30 September 2008
		Unaudited \$'000	Unaudited \$'000	Audited \$'000
<b>Current assets</b>				
Cash and bank balances		(1,295)	1,352	(3,150)
Receivables and prepayments		10,277	8,878	18,566
Inventories		6,724	4,660	5,053
Biological assets		1,338	819	1,150
Derivative financial instruments		(2,914)	570	(907)
<b>Total current assets</b>		<b>14,130</b>	<b>16,279</b>	<b>20,712</b>
<b>Non-current assets</b>				
Property, plant and equipment		17,313	18,067	17,817
Investments in associates		200,164	202,365	192,226
NZ Quota shares	4	240,901	174,380	190,312
Intangibles - goodwill	4	9,014	4,126	4,126
Other long term assets		11,696	11,448	11,519
Deferred tax asset		5,127	7,783	5,319
<b>Total non-current assets</b>		<b>484,215</b>	<b>418,169</b>	<b>421,319</b>
<b>Total assets</b>		<b>498,345</b>	<b>434,448</b>	<b>442,031</b>

# Consolidated Balance Sheet

As at 31 March 2009

	Note	As at 31 March 2009	As at 31 March 2008	As at September 2008
		Unaudited \$'000	Unaudited \$'000	Audited \$'000
<b>Current liabilities</b>				
Payables		6,019	4,666	16,437
Provisions		1,621	1,734	2,219
<b>Total current liabilities</b>		<b>7,640</b>	<b>6,400</b>	<b>18,656</b>
<b>Non-current liabilities</b>				
Borrowings	4	97,600	42,850	44,000
Redeemable preference shares		16,504	15,378	15,926
Provision for taxation		(248)	2	1
Deferred tax liability		3,744	2,371	3,711
<b>Total non-current liabilities</b>		<b>117,600</b>	<b>60,601</b>	<b>63,638</b>
<b>Total liabilities</b>		<b>125,240</b>	<b>67,001</b>	<b>82,294</b>
<b>Net assets</b>		<b>373,105</b>	<b>367,447</b>	<b>359,737</b>
<b>Shareholders' equity</b>				
Capital contributed		286,979	286,979	286,979
Derivative financial instruments reserve		(10,293)	2,339	(8,286)
Redeemable preference shares		4,125	4,125	4,125
Retained earnings		92,294	74,004	76,919
<b>Total shareholders' equity</b>		<b>373,105</b>	<b>367,447</b>	<b>359,737</b>

## Consolidated Statement of Cash Flows

For the six months ended 31 March 2009

	Note	6 months ended 31 March 2009	6 months ended 31 March 2008	12 months ended 30 September 2008
		Unaudited \$'000	Unaudited \$'000	Audited \$'000
<b>Cash flows from operating activities</b>				
<i>Cash was provided from:</i>				
Receipts from customers		84,696	62,507	110,216
Interest received		218	488	584
Dividends received - associates		8,000	8,000	8,000
		<b>92,914</b>	<b>70,995</b>	<b>118,800</b>
<i>Cash was disbursed to:</i>				
Payments to suppliers and employees		(74,887)	(52,588)	(94,295)
Interest paid		(4,171)	(2,160)	(4,253)
Taxation paid		(24)	(20)	(20)
		<b>(79,082)</b>	<b>(54,768)</b>	<b>(98,568)</b>
<b>Net cash flows from operating activities</b>		<b>13,832</b>	<b>16,227</b>	<b>20,232</b>
<b>Cash flows from investing activities</b>				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment		46	31	442
		<b>46</b>	<b>31</b>	<b>442</b>
<i>Cash was disbursed to:</i>				
Purchase of quota	4	(60,021)	(12,571)	(21,224)
Purchase of property, plant and equipment		(719)	(1,013)	(2,371)
Purchase of other investments	4	(4,883)	-	(82)
Other		-	(15)	-
		<b>(65,623)</b>	<b>(13,599)</b>	<b>(23,677)</b>
<b>Net cash flows from investing activities</b>		<b>(65,577)</b>	<b>(13,568)</b>	<b>(23,235)</b>
<b>Cash flows from financing activities</b>				
<i>Cash was provided from:</i>				
Borrowings		53,600	-	-
Advances from related parties		-	(56)	7
		<b>53,600</b>	<b>(56)</b>	<b>7</b>

<i>Cash was disbursed to:</i>				
Advances to related parties		-	-	(53)
Repayment of borrowings		-	(3,025)	(1,875)
			<b>(3,025)</b>	<b>(1,928)</b>
<b>Net cash flows from financing activities</b>		<b>53,600</b>	<b>(3,081)</b>	<b>(1,921)</b>
Net decrease in cash held		1,855	(422)	(4,924)
Cash at the beginning of the period		(3,150)	1,774	1,774
<b>Cash at the end of the period</b>		<b>(1,295)</b>	<b>1,352</b>	<b>(3,150)</b>
<i>Comprising:</i>				
<b>Cash and bank balances</b>		<b>(1,295)</b>	<b>1,352</b>	<b>(3,150)</b>





# Notes to the Financial Statements

For the six months ended 31 March 2009

## 1. Corporate Information

Aotearoa Fisheries Limited is a company registered under the Companies Act 1993 and was incorporated on 26 November 2004 in New Zealand. These financial statements are for Aotearoa Fisheries Limited, its subsidiaries and associates.

## 2. Summary of Significant Accounting Policies

These condensed consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice applicable to interim financial statements.

These condensed consolidated financial statements comply with NZ IAS 34 Interim Financial Reporting. As the condensed consolidated interim financial statements do not include all of the information required for full annual financial statements they should be read in conjunction with the consolidated financial statements and related notes in the Annual Report for the year ended 30 September 2008.

The accounting policies set out in the 2008 Annual Report have been consistently applied here.

Certain prior year 31 March 2008 numbers were restated to ensure compliance with international financial reporting standards and consistency with the 30 September 2008 financial statements.

## 3. Other (Expense)/Income

	6 months ended 31 March 2009	6 months ended 31 March 2008	12 months ended 30 September 2008
	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Foreign currency gains/(losses) - realised	(4,101)	455	175
Foreign currency gains/(losses) - unrealised	(40)	(106)	
Gain on disposal of assets (net)	(6)	14	130
	<b>(4,147)</b>	<b>363</b>	<b>305</b>

## Notes to the Financial Statements

For the six months ended 31 March 2009

### 4. NZ Quota Shares

In October 2008, Aotearoa Fisheries Limited completed the acquisition of two strategic parcels of quota shares. The first was the parcel consisting of 834mt of key mixed inshore Area 1 stocks. The second was the purchase of Ocean Ranch (New Zealand) Limited associated quota, assets and shares in Prepared Foods Limited not already held by Aotearoa Fisheries Limited.

In February 2009, Aotearoa Fisheries Limited acquired 20 tonne of crayfish quota from the Hokotehi Moriori Trust.

The quota acquisitions and associated assets of Ocean Ranch Limited were funded through an increase in bank borrowings.

## Notes to the Financial Statements

For the six months ended 31 March 2009

### 5. Reconciliation of Net Profit to Net Cash Flows from Operating Activities

	6 months ended 31 March 2009	6 months ended 31 March 2008	12 months ended 30 September 2008
	Unaudited \$'000	Unaudited \$'000	Audited \$'000
Reported net surplus for the year	15,375	16,125	19,040
<b>Add (less) non-cash items and non-operating items:</b>			
Depreciation and amortisation	1,134	1,303	2,581
Share of retained (surplus) of associates	(7,923)	(10,730)	(4,128)
Gain on sale of property, plant and equipment	43	(11)	(92)
Other	-	888	2,284
	<b>(6,746)</b>	<b>(8,550)</b>	<b>645</b>
<b>Movement in working capital:</b>			
Decrease/(Increase) in receivables and prepayments	7,171	8,275	(1,405)
Decrease/(Increase) in related party receivables	611	427	(884)
(Increase)/Decrease in inventory & biological assets	(1,860)	(125)	(849)
(Decrease)/Increase in payables	(993)	1	3,548
Increase in related party payables	320	191	155
(Decrease)/Increase in employee entitlements	(22)	(96)	4
(Decrease) in provision for taxation	(24)	(21)	(22)
	<b>5,203</b>	<b>8,652</b>	<b>547</b>
<b>Net cash flows from operating activities</b>	<b>13,832</b>	<b>16,227</b>	<b>20,232</b>

## Directory

### Board of Directors

Robin Hapi – Chairman	Ngati Kahungunu
Matanuku Mahuika	Ngati Porou, Ngati Raukawa
Fred Cookson	Ngati Uenukukopako, Ngati Kahungunu
Harry Mikaere	Ngati Pukenga, Ngati Maru, Ngati Kahungunu
Craig Norgate	
Wayne Peters	Ngati Wai
Keith Sutton	

### Chief Executive Officer

Jeremy Fleming

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## Recipe

### Pan Seared Tarakihi, Steamed Karuparera, Radish, Red Capsicum and Parsley Salad (serves 4)

#### Ingredients

600g tarakihi fillets  
 1 kg karuparera potatoes  
 Bunch of fresh red radish (allow 2 per person)  
 Bunch of flat leaf parsley  
 Bunch of chives  
 1 red capsicum  
 Juice of 1 lemon  
 Virgin olive oil  
 200ml cream  
 1 clove of garlic



#### Method

Slice potatoes thinly, place in a pan of salted cold water and bring to the boil. Once boiling turn the heat down to low and let them simmer until cooked. Meanwhile pick the leaves of the flat leaf parsley and put them in a bowl. Finely chop the chives and add them to the parsley.

Finely chop the red capsicum and cut the radishes into wedges and combine them in a separate bowl.

In a food processor or a blender place the peeled garlic clove, cream, and half of the parsley and chives. Blend for a few minutes and add salt and white pepper to taste.

Once this is blended, place the mixture into a saucepan on a low heat until the mixture is thickened. Add lemon juice to taste.

In a hot frying pan sear the tarakihi fillets in a little olive oil, seasoning generously with salt and white pepper until golden brown and almost cooked through\*. This should take only a few minutes.

Meanwhile arrange the steamed potatoes on the plate and toss radish, capsicum and remaining herbs in a bowl with a light splash of the cream sauce. Place the rest of the radish mixture next to the potatoes and neatly arrange the tarakihi on top. Drizzle the parsley cream sauce around the plate to garnish.

#### \* Cooking Tip

An important technique with pan frying a fish, as delicate as tarakihi, is to anticipate and remove the pan from its heat before fully cooked and allow to rest in the pan while the residual heat finishes the cooking process.



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