

Te Runanga o Ngati Porou

Ngati Porou Fisheries Ltd Annual Report 2006



Ngati Porou
Fisheries Ltd

OVERVIEW OF 2005 / 2006 YEAR

This year has presented many challenges and several notable highlights for Ngati Porou Fisheries Limited. The challenges arose as the fishing industry continued to operate within an environment of rationalisation, consolidation, and cooperation due to the high value of the New Zealand dollar, increasing operational costs especially fuel costs, environmental concerns over bottom trawling, bio-security threats, TACC reductions in key species, and noticeable changes in seasonality for some key species as a result of major climatic events.

Despite all this, NPFL financial result is a solid performance with a profit significantly higher than budget..

FINANCIAL PERFORMANCE

In reading these financial results it should be noted that, Ngati Porou Seafoods Limited was established from April 2006, resulting in some Ace revenue and operating costs being accounted for within NPSL which has reduced NPFL net surplus result.

Ngati Porou Fisheries Limited			
Cost Centre	Actual \$m	Budget \$m	Variance \$m
Revenue	1,656	1,611	31
Quota Costs	(345)	(442)	(97)
Net Revenue	1,310	1,169	141
Expenses	(533)	(674)	-141
Net Profit	777	494	283
Shareholder Equity	(05/06) 2,870	(04/05) 2,393	477
Dividend	310	198	112

Ngati Porou Fisheries Limited's financial achievements for the year end 30 June 2006 were measured as follows:

REVENUE (net)

- Growth was \$140,000 for NPFL, from \$1.1m (budget) to \$1.3m (actual).

QUOTA COSTS

- Quota costs for NPFL decreased by \$97,000, from \$442,000 (budget) to \$345,000 (actual).

OPERATIONAL EXPENSES

- Reduction of \$141,000, from \$674,000 (budget) to \$533,000 (actual)

NET PROFIT SURPLUS

- Growth of \$282,000, from \$495,000 (budget) to \$777,000 (actual)

SHAREHOLDER ASSETS

- Growth of \$500,000, from \$2.3m to \$2.8m (Fisheries settlement assets not included)

THE COMING YEAR & BEYOND

Rationalisation within the fishing industry is likely to continue for the next year at least, however, every cloud has a silver lining and despite these difficult conditions NPSG is positive about the future outlook as numerous opportunities exist that must be identified and explored. Ngati Porou Fisheries Ltd will remain separate from the Ngati Porou Seafoods group that is owned by Porou Ariki Trust.

The quota shares will be managed from now on solely within that group and reporting will be to the whanau and hapu through the trustee of the Porou Ariki Trust, Te Runanga o Ngati Porou, and the advisory trustees appointed by the marae.

FISHERIES MANAGEMENT

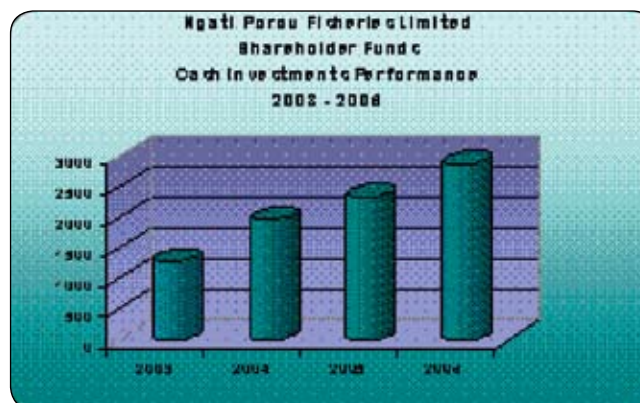
Everyone is concerned about sustainable fisheries resources. In previous years NPFL has had limited access to the commercial stakeholder organisations that control commercial resources. Now a quota owner, membership to these forums is automatic and the company intends to be an influential member in ensuring fisheries resources are managed in a sustainable manner.

NPFL tautoko's the Minister of Fisheries recent statement that 'regional solutions and input for regional problems'. This provides Ngati Porou with a significant advantage as we are a key stakeholder in the commercial, recreational and customary groups. Developing a fisheries management plan that we all have input and management responsibility for is essential towards successful sustainability. The alternative – poor management practices, lack of communication and information, working in different directions – is no longer an option.

RESEARCH & DEVELOPMENT

The future sustainability and stability of our fisheries resources and financial returns will depend significantly on improving our knowledge and understanding of each marine species and the environment.

This includes not only how and when we harvest or what equipment we use, but also improving our knowledge of the aquaculture and mari-culture sectors which are increasingly having an impact on world seafood markets as wild fishery stocks globally continue to decline.



DIVIDEND for 2006

NPFL is pleased to make a dividend payment of \$310,000 (40% of NPAT) to the shareholder, Te Runanga o Ngati Porou, against a budget forecast of \$198,000.

AUSTRALIAN AQUACULTURE HIKOI

In August 2005, several directors and the general manager visited various South Australian aquaculture operations to acquire key knowledge and information towards developing NPFL's R&D strategy as well as extending networks for future growth. The farming operations visited included eels, paua (abalone) and fish (salmon) from the hatchery to the market.

Key points learned from the operators included:

- size does matter – most farms struggle to be profitable at less than 150 tonne per year production
- Victoria & South Australia have regulatory frameworks more compatible to marine farming (land or sea) than NZ
- development of farms to economic levels takes a lot of capital and requires extremely patient shareholders.
- strategic relationships, including those with research institutions, are critical.