NEW ZEALAND KING SALMON INVESTMENTS LIMITED AND SUBSIDIARIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NEW ZEALAND KING SALMON INVESTMENTS LIMITED AND SUBSIDIARIES

Contents

FOR THE YEAR ENDED 30 JUNE 2016

Corporate Information

Directors	Appointment Date	
Thomas Chai Leng Song	7 August 2008	
Paul James Steere	23 September 2008	
Mark Robert Hutton	23 September 2008	
Jack Lee Porus	23 September 2008	
John William Dudley Ryder	1 September 2009	
Grantley Bruce Rosewarne	15 July 2016	
Thomas Wilton Sturgess	17 March 2009	*Resigned 15 July 2016*

Registered Office
93 Beatty Street
Annesbrook
Nelson
New Zealand

Principal Place of Business
93 Beatty Street
Annesbrook
Nelson
New Zealand

Solicitors
Glaister Ennor
18 High Street
Auckland
New Zealand

Bankers
The Bank of New Zealand
81 Riccarton Road
Christchurch
New Zealand

ANZ Bank New Zealand Limited
248 Trafalgar Street
Nelson
New Zealand

Auditors
Ernst & Young (EY)
20 Twigger Street
Christchurch
New Zealand

NEW ZEALAND KING SALMON INVESTMENTS LIMITED AND SUBSIDIARIES

Directors' Report

The Board of Directors present their Annual Report being the financial statements of the Group for the year ended 30 June 2016 and the auditor's report thereon.

The shareholders of the Company have exercised their right under section 211(3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of paragraphs (a) and (e) to (j) of section 211(1) of the Act.

For and on behalf of the Board:

Director
5 August 2016

Director
5 August 2016

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $000	2015 $000 Restated
Revenue	5	114,060	98,288
Cost of goods sold	14	(104,883)	(93,682)
Fair value gain on biological transformation	15	30,223	29,539
Freight costs to market		(10,134)	(8,814)
Gross profit		**29,266**	**25,331**
Other operating income	6	1,281	3,792
Sales, marketing and advertising expenses		(6,815)	(5,805)
Distribution overheads		(2,041)	(1,758)
Corporate expenses	7	(6,062)	(5,215)
Other expenses	7	(1,813)	(3,961)
Earnings before interest, tax, depreciation and amortisation		**13,816**	**12,384**
Depreciation and amortisation expense	16,17	(4,244)	(4,049)
Impairment of non-current assets	16,17	(1,037)	(200)
Finance income	8	65	132
Finance costs	8	(5,215)	(1,654)
Profit before tax		**3,385**	**6,613**
Income tax expense	9	(792)	(354)
Net profit for the year		**2,593**	**6,259**
Other comprehensive income			
Exchange gain/(loss) on translation of foreign operations	10	(194)	128
Net movement on cash flow hedges	10	(3,011)	(134)
Income tax effect of movement on cash flow hedges	10	843	38
Net other comprehensive income/(loss)		**(2,362)**	**32**
Total comprehensive income for the period attributable to equity holders of the Company		**231**	**6,291**

	Note	2016	2015
Earnings per share	11		
Basic profit for the year attributable to ordinary equity holders of the parent		$0.10	$0.25
Diluted profit for the year attributable to ordinary equity holders of the parent		$0.10	$0.24

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

EY

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Share Capital $000	Foreign Currency Translation Reserve $000	Hedge Reserve $000	Retained Earnings $000	Total Equity $000
As at 1 July 2015		25,296	(333)	(27)	11,847	**36,783**
Profit for the year		-	-	-	2,593	**2,593**
Other comprehensive loss	10	-	(194)	(2,168)	-	**(2,362)**
Total comprehensive income/(loss) for the year		-	(194)	(2,168)	2,593	**231**
As at 30 June 2016		**25,296**	**(527)**	**(2,195)**	**14,440**	**37,014**

	Note	Share Capital $000	Foreign Currency Translation Reserve $000	Hedge Reserve $000	Retained Earnings $000	Total Equity $000
As at 1 July 2014 restated		25,296	(461)	69	5,588	**30,492**
Profit for the year		-	-	-	6,259	**6,259**
Other comprehensive income/(loss)	10	-	128	(96)	-	**32**
Total comprehensive income/(loss) for the year		-	128	(96)	6,259	**6,291**
As at 30 June 2015 restated		**25,296**	**(333)**	**(27)**	**11,847**	**36,783**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position

AS AT 30 JUNE 2016

	Note	2016 $000	2015 $000 Restated	1 July 2014 $000 Restated
ASSETS				
Current assets				
Cash and cash equivalents	12	2,419	5,522	1,561
Trade and other receivables	13	10,229	8,668	8,515
Inventories	14	17,291	11,757	9,480
Biological assets	15	45,537	40,303	38,284
Non-current assets held for sale	18	421	-	-
Other financial assets	28	2,758	2,290	2,672
Derivative financial assets	24	526	2,105	2,688
Total current assets		79,181	70,645	63,200
Non-current assets				
Property, plant and equipment	16	32,596	30,430	29,742
Biological assets	15	7,413	7,292	6,735
Derivative financial assets	24	1,443	2,960	1,440
Intangible assets	17	3,868	4,772	5,208
Deferred tax asset	9	1,967	585	526
Goodwill	17	39,255	39,255	39,255
Total non-current assets		86,542	85,294	82,906
TOTAL ASSETS		165,723	155,939	146,106
LIABILITIES				
Current liabilities				
Interest-bearing loans and borrowings	19	19,326	20,382	20,044
Trade and other payables	20	15,416	10,438	10,738
Income tax payable		580	-	-
Employee benefits	21	2,384	1,733	2,024
Other financial liabilities	28	4,427	4,306	5,962
Shareholder loans	28	73,114	18,465	14,982
Derivative financial liabilities	24	2,319	2,169	2,844
Total current liabilities		117,566	57,493	56,594
Non-current liabilities				
Interest-bearing loans and borrowings	19	163	218	-
Employee benefits	21	465	399	86
Shareholder loans	28	-	50,126	50,126
Deferred tax liabilities	9	7,740	7,983	7,617
Derivative financial liabilities	24	2,775	2,937	1,191
Total non-current liabilities		11,143	61,663	59,020
TOTAL LIABILITIES		128,709	119,156	115,614
NET ASSETS		37,014	36,783	30,492
EQUITY				
Equity attributed to equity holders of the company				
Share capital	26	25,296	25,296	25,296
Reserves		(2,722)	(360)	(392)
Retained earnings		14,440	11,847	5,588
TOTAL EQUITY		37,014	36,783	30,492

For and on behalf of the Board, who authorised the issue of these financial statements on 5 August 2016

Director
5 August 2016

Director
5 August 2016

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

EY

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $000	2015 $000
Operating activities			
Receipts from customers		112,655	97,944
Payments to suppliers		(80,432)	(67,083)
Payments to employees		(26,359)	(25,123)
Interest received	8	50	28
Interest paid	8	(1,424)	(1,265)
Insurance income	6	562	2,400
Income tax paid		(1,002)	(7)
Net cash flows from operating activities		4,050	6,894
Investing activities			
Proceeds from sale of property, plant and equipment		67	192
Purchase of property, plant and equipment	16	(6,972)	(5,148)
Purchase of intangible assets	17	(67)	(245)
Net cash flows used in investing activities		(6,972)	(5,201)
Financing activities			
Repayment of borrowings		(1,000)	-
Proceeds from shareholders advances		1,100	2,700
Repayment to shareholders		(210)	(397)
Payment of finance lease liabilities	22	(71)	(35)
Net cash flows from/(used in) financing activities		**(181)**	**2,268**
Net increase/(decrease) in cash and cash equivalents		**(3,103)**	**3,961**
Cash and cash equivalents at 1 July		5,522	1,561
Cash and cash equivalents at 30 June	12	**2,419**	**5,522**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Statements

1 Corporate information

These financial statements comprise New Zealand King Salmon Investments Limited (the Company) and its subsidiaries (together the Group).

New Zealand King Salmon Investments Limited is a company incorporated and domiciled in New Zealand. The Company is registered under the Companies Act 1993.

The Group is principally engaged in the farming, processing and sale of quality salmon products. The purpose of the Company is to hold and fund subsidiaries in the Group.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements comply with International Financial Reporting Standards (IFRS) and also with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The consolidated financial statements of New Zealand King Salmon Investments Limited have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Reporting Act 2013. For the purposes of complying with NZ GAAP the entity is a for-profit entity.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis except for biological assets and financial instruments which have been measured at fair value.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported outcomes of revenues, expenses, assets, liabilities and the accompanying disclosures. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Uncertainties about these assumptions and estimates could result in an outcome that requires a material adjustment to the carrying amount of assets or liabilities in future periods.

Specific areas requiring significant estimates and judgements include:

Valuation of biological assets - The Group recognises stocks of live fish at fair value less costs to sell according to the principles of NZ IAS 41. The fair value is measured using a valuation model that relies on various assumptions and information available at balance date. Inputs include anticipated market prices, quality mix, current weights of livestock relative to expected harvest weight, mortality rates, growth rates and production costs. The income or loss that is ultimately recognised at time of sale may be significantly different from that implied by the fair value adjustment at the end of a reporting period. The fair value uplift from accumulated costs to date has no cash impact. Further details of the valuation and sensitivity to change in key inputs are given in note 15.
Finished goods inventory includes the uplift in cost from the fair value of livestock at the point of harvest.

Impairment testing of intangibles - The Group reviews the carrying value of goodwill on an annual basis and assesses whether it is impaired according to the principles of NZ IAS 36. This requires the goodwill to be allocated to cash generating units with which it would naturally be associated and the value in use of the cash generating units to be estimated. The value in use is estimated using a standard industry model that relies on various assumptions and information available at balance date. Inputs include estimations of the growth rate of the Group, future market conditions and prices, and discount rates. Further details of the valuation are given in note 17.

Valuation of financial derivatives - The Group recognises financial derivatives at fair value according to the principles of NZ IFRS 13. The value is calculated by a third party expert using an industry standard model. Inputs to the model are obtained externally by the service provider. Further details of the valuation are included in note 24.

Deferred tax - Items are included in the carrying value of tax assets and liabilities which have been judged to be deductible for tax purposes. The outcome of these positions is not certain and may result in future adjustments in the financial statements.

(d) Foreign currency translation

(i) Functional and presentation currency

The Group's consolidated financial statements are presented in New Zealand dollars, which is also the parent company's functional currency. The Australian subsidiary's functional currency is Australian dollars which is translated into the presentation currency in these financial statements.

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Notes to the Consolidated Financial Statements

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at balance date.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group subsidiaries functional currency to presentation currency
The assets and liabilities of the Australian subsidiary are translated into New Zealand dollars at the rate of exchange at balance date. Revenues and expenses are translated at rates approximating the exchange rate at the date of the transaction. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

3 Effect of first-time adoption of Tier 1 NZ IFRS

These financial statements for the year ended 30 June 2016 are the first the Group has prepared in accordance with NZ IFRS. For periods up to and including the year ended 30 June 2015 the Group prepared its financial statements in accordance with NZ IFRS and other applicable reporting standards. as appropriate for profit-oriented entities that qualify for and apply differential reporting concessions (NZ IFRS Diff Rep).

Accordingly, the Group has prepared financial statements that comply with NZ IFRS applicable as at 30 June 2016, together with the comparative period data for the year ended 30 June 2015. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 July 2014. This is the Groups' date of transition to Tier 1 NZ IFRS. Note 31 explains the principal adjustments made by the Group in restating its NZ IFRS Diff Rep financial statements.

The accounting policies adopted in these financial statements are consistent with those used in the previous financial year except for instances when the accounting or reporting requirements of NZ IFRS are different to requirements under NZ IFRS Diff Rep and where the Group had previously applied the differential reporting concessions. Refer to note 31 for details.

(a) The changes to accounting policies and disclosures caused by first time application of Tier 1 NZ IFRS are as follows:

(i) NZ IAS 16 - Property, plant and equipment:
Under NZ IFRS Diff Rep, the Group applied exemptions available under NZ IAS 16 by using IRD depreciation rates in some cases. NZ IFRS requires the use of depreciation rates based on the useful lives of the assets and the review of residual values, useful lives and depreciation rates on an annual basis. Movements in the carrying values or each class of asset have been disclosed.

(ii) NZ IAS 23 - Borrowing costs
From 1 July 2014 borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use have been capitalised as part of the cost of the respective asset

(iii) NZ IAS 38 - Intangible assets
A reconciliation of the movements in the carrying amount of each class of intangible assets has been disclosed.

(iv) NZ IAS 41 - Agriculture
Under IFRS Diff Rep biological assets were valued at cost less any accumulated impairment losses. NZ IAS 41 requires a biological asset to be measured on initial recognition and at the end of the reporting period at fair value less costs to sell. as soon as fair value can be reliably measured.
Disclosures have been made relating to movements in the fair value of biological assets, non-financial measures of the physical quantities and financial risk management strategies related to fish farming activity.

(v) NZ IFRS 7 - Financial instruments
The Group has disclosed objectives, policies and processes for managing the risk arising from each class of financial instrument. Sensitivity analysis has been provided for each type of market risk to which the Group is exposed at the end of the reporting period.
An analysis of the age of financial assets past due, together with a reconciliation of movements in impairment provisions, has been disclosed.

Notes to the Consolidated Financial Statements

(vi) NZ IFRS 8 - Operating segments
The Group has defined its reportable segments and disclosed available information regarding segment results.

(vii) NZ IFRS 13 - Fair value measurement
Assets measured at fair value have been categorised according to the fair value hierarchy. Valuation techniques used to determine fair value have been disclosed.

(viii) NZ IAS 2 - Inventory
The amount of inventory recognised as an expense and any write-down to net realisable value has been disclosed.

(ix) NZ IAS 7 - Statement of cash flows
Under NZ IFRS Diff Rep the Group was exempt from preparing a statement of cash flows. A statement of cash flows using the direct method has now been disclosed together with a reconciliation of net cash flow from operating activities to profit or loss.

(x) NZ IAS 8 - Accounting policies, changes in accounting estimates and errors
Disclosures regarding new NZ IFRS standards that have been issued but are not yet effective have been made.

(xi) NZ IAS 17 - Leases
Additional disclosures have been made relating to finance leases and the periods that associated payments fall due.

(xii) NZ IAS 24 - Related party disclosures
A disclosure detailing compensation of key management personnel has been included in note 28.

(b) New and amended standards adopted by the Group
In addition to the changes made as a result of first-time adoption of IFRS, the Group has adopted the amendments to the following standard effective for the first time for the financial year beginning 1 July 2015:

NZ IFRS 8 - This standard now requires an entity to disclose the judgements made by management in applying the aggregation criteria to their operating segments. It also clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segments' assets are reported regularly.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 July 2015 are not material to the Group.

(c) New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015 and have not been applied in the preparation of these consolidated financial statements. None of these are expected to have significant effect on the consolidated financial statements of the group, except the following set out below:

NZ IFRS 9 - Financial Instruments. This standard brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. It is effective from 1 January 2018. Early application is permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively with some limited exceptions. The Group plans to adopt the new standard on the required effective date but has not yet assessed its impact.

NZ IFRS 15 - Revenue from Contracts with Customers. This standard establishes a five step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Retrospective application is required from 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required date but has not yet assessed its impact.

NZ IFRS 16 - Leases. The new standard requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under NZ IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset and recognise interest expense and depreciation separately. The standard is effective from 1 January 2019. Early application is permitted, but not before an entity applies NZ IFRS 15. The Group plans to adopt the new standard on the required effective date but has not yet assessed its impact.

Notes to the Consolidated Financial Statements

4 Summary of significant accounting policies

(a) Basis of consolidation

The financial statements comprise the financial statements of New Zealand King Salmon Investments Limited and its subsidiaries (per note 28) as at 30 June each year. Subsidiaries are all those entities over which the Group has control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(b) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition date fair value of assets acquired by the Company and the liabilities assumed by the Company. Acquisition related costs are expensed as incurred and included in administrative expenses. Any contingent consideration to be transferred by the Company is recognised at fair value at acquisition date.

(c) Financial instruments

All financial instruments are initially recognised at the fair value of the consideration received, less directly attributable transaction costs in the case of financial assets and liabilities not recorded at fair value through profit or loss. Subsequently the Group apply the following accounting policies for financial instruments:

(i) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and call deposits. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits net of outstanding bank overdrafts.

(ii) Trade and other receivables
Short term trade and other receivables are not discounted and are initially stated at cost. Gains and losses are recognised in the profit or loss when the receivables are derecognised or impaired.

(iii) Loans
Loans and amounts owing from related companies are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans are derecognised or impaired.

(iv) Trade and other payables
Trade and other payables are carried at cost due to their short term nature and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

(v) Interest bearing borrowings
After initial recognition interest bearing borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on establishment of loan facilities that are yield related are included as part of the carrying amount.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Borrowing costs are generally recognised as an expense when incurred with the exception of borrowing costs associated with a qualifying asset which are capitalised as part of the cost of that asset.

Notes to the Consolidated Financial Statements

(vi) Financial guarantee

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial Guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributed to the issuance of the guarantee. Subsequently the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at balance date and the amount recognised less cumulative amortisation.

(vii) Derivative financial instruments and hedging

The Group uses derivative financial instruments including forward currency contracts, options and interest rate swaps to hedge risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at balance date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of interest rate swaps are determined by reference to market values for similar instruments.

The Group designates its derivative financial instruments as hedges of a particular risk associated with a recognised asset or liability or a highly probable commitment that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedge reserve, while the ineffective portion is recognised in profit or loss as other income or expenses.

Amounts accumulated in equity are transferred to profit or loss when the hedged item affects profit or loss.

(d) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – cost is based on the purchase price including import duties and other taxes, transport, handling and other costs directly attributable to the acquisition of the goods and materials. Costs are determined on a weighted average basis.

Manufactured finished goods and work in progress - cost of direct materials, labour and a proportion of manufacturing overheads appropriate to the state of manufacture. Costs are assigned on the basis of weighted average costs. The cost of items transferred from biological assets is their fair value less costs to sell at the date of harvest.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

(e) Biological assets

Biological assets include fish livestock measured at fair value less estimated costs to sell. The net gain or loss resulting from the fair value measurement is recognised in profit or loss.

The fair value of fish livestock is derived from the amount expected to be received from the sale of the asset in an active market. The target live weight of the harvestable fish is defined as a fish with a live weight of 4kg or greater. Some fish are harvested with a live weight above or below this weight.

For broodstock and fish where little biological transformation has taken place since initial cost was incurred, cost less impairment is used as an approximation of fair value. This value is used up to the point at which fish are transferred to sea water. Fish stock is transferred to inventory at the time of harvest. The transfer is recorded at its fair value which is deemed to be cost for the purposes of inventory valuation.

Notes to the Consolidated Financial Statements

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows.

Freehold land:	not depreciated
Freehold buildings:	20 to 50 years
Building fit out:	3 to 25 years
Leasehold improvements:	5 to 10 years
Plant, furniture and fittings:	3 to 20 years
Motor vehicles:	5 years
Sea vessels:	10 to 20 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively if appropriate. An asset's carrying value is written down immediately to its recoverable amount if its carrying value is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in profit or loss as an integral part of the total lease expense.

(h) Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and the expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Notes to the Consolidated Financial Statements

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of useful life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to definite is made on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

Goodwill and trade marks	
Useful lives:	Indefinite
Internally generated or acquired:	Acquired

Intellectual property, marine farm and hatchery licences and marina berth	
Useful lives:	Finite
Amortisation method used:	Straight-line, 5-35 years
Internally generated or acquired:	Acquired

Computer Software	
Useful lives:	Finite
Amortisation method used:	Straight-line, 4-7 years
Internally generated or acquired:	Acquired

(i) Research and development costs

Research costs are generally expensed as incurred. Development expenditures are capitalised as intangible assets when the Group can demonstrate:
- Costs can be reliably measured.
- Completion of the project is technically feasible.
- Resources are available to complete the project.
- There is an intention to use the resulting asset and it will generate future economic benefits.

During the period of development the asset is tested for impairment annually.

(j) Employee benefits

(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(iii) Defined contribution plans
Contributions made to a defined contribution plan are expensed as incurred.

(k) Contributed equity

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax from the proceeds. Other capital raising costs are expensed as incurred.

Notes to the Consolidated Financial Statements

(l) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer on delivery.

(ii) Interest income
Revenue is recognised as interest accrues using the effective interest method.

(iii) Insurance proceeds
Insurance proceeds are recognised in the financial statements when receipt is virtually certain and can be measured reliably.

(m) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

The Group recognises uncertain tax positions as a liability where it is probable that an outflow of resources will be required.

Notes to the Consolidated Financial Statements

5 Segment information

(a) Segment results

For management purposes, the Group is organised into three business units based on geographical sales market and customer channel. The operating results of the business units are monitored for the purpose of making decisions about resource allocation and performance assessment.

The Group's reportable segments are:

New Zealand Retail	The company provides these customers with pre-packed value added products (including wood roasted and cold smoked product), whole fresh fish and pre-cut fillets.
New Zealand Foodservice	The company provides these customers with a broad variety of salmon products including whole fresh fish, pre-cut fillets, portions and a range of smoked products.
Export Market	Predominantly customers based outsided New Zealand most of whom currently fall into the Foodservice category as described above.

Segment performance is evaluated at the EBITDA level and results are as follows:

	New Zealand Retail	New Zealand Foodservice	Export Market	Total
Year ended 30 June 2016	**$000**	**$000**	**$000**	**$000**
Revenue	28,208	35,899	49,953	114,060
Segment profit (EBITDA)	**2,046**	**3,642**	**8,127**	**13,816**
Year ended 30 June 2015 restated	**$000**	**$000**	**$000**	**$000**
Revenue	28,057	34,716	35,515	98,288
Segment profit (EBITDA)	**3,031**	**4,600**	**4,753**	**12,384**

Depreciation, amortisation, finance income and costs, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Segment profit reconciles to profit before income tax as follows:	**2016**	**2015**
	$000	**$000**
		Restated
Segment profit	**13,816**	**12,384**
Depreciation, amortisation and impairment	(5,281)	(4,249)
Finance costs	(5,150)	(1,522)
Group profit before tax	**3,385**	**6,613**

The Group does not prepare information allocating assets and liabilities to the market facing segments as all material assets and liabilities are managed on a group basis.

(b) Revenue by geographical location of customers	**2016**	**2015**
	$000	**$000**
		Restated
New Zealand	64,107	62,773
North America	27,419	15,928
Australia	9,642	8,956
Japan	5,552	4,804
Europe	1,926	1,215
Other	5,414	4,612
	114,060	**98,288**

Sales net of settlement discounts to one major customer for the year accounted for over 10% of total revenue. Sales to that customer totalled $14,094k or 12% of total sales (2015: one customer accounted for $12,264k or 12% and another for $12,202k or 12%. In both years these customers were included in the New Zealand Retail segment.

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6 Other operating income

	2016 $000	2015 $000 Restated
Grants received - NZ Trade and Enterprise	-	195
Insurance claim - biological assets	-	1,829
Insurance claim - other	562	571
Supplier forgiveness of debt	549	913
Profit on sale of property, plant and equipment	29	24
Other income	141	260
	1,281	**3,792**

7 Expenses

	2016 $000	2015 $000 Restated
(a) Corporate and other expenses include:		
Trade receivables written off	86	4
Impairment of trade receivables	(62)	10
Professional fees relating to potential capital raising	841	-
Research costs	927	632
Fish health event	952	2,917
Write off of water space	-	36
Loss on disposal of property, plant and equipment	20	994
Minimum lease payments - operating leases	991	982
Directors' fees	214	200
Other directors' expenses	14	16
Donations	14	42
(b) Employee benefits expense		
Wages and salaries	23,473	21,762
Defined contribution plans	472	428
Restructuring costs	-	21
Other employee benefits expenses	3,132	2,934
	27,077	**25,145**

8 Net financing costs

	2016 $000	2015 $000 Restated
Interest income	65	132
	65	**132**
Bank facility fees	338	389
Interest on bank loans and overdrafts	1,097	1,160
Interest on other loans	3,780	105
	5,215	**1,654**

No interest was payable on shareholder loans in the prior period and in the current period until 23 September 2015, after Board approval. Subsequent to this date interest was accrued at 8.5% p.a.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

9 Income tax

	2016 $000	2015 $000 Restated
(a) Recognised in the consolidated statement of comprehensive income		
Current income tax expense	1,574	8
Over provision - previous year	-	3
Deferred tax - relating to origination and reversal of temporary differences	(782)	343
Total income tax expense/(credit) in the statement of comprehensive income	792	354
Tax amounts posted directly to equity	843	(38)

	2016	2015
(b) Reconciliation of tax expense recognised in the consolidated statement of comprehensive income to statutory income tax rate		
Profit/(loss) before tax	3,385	6,613
Income tax using the company tax rate 28%	948	1,852
Non deductible/non assessable items	257	23
NZ tax losses not previously recognised and now utilised	(400)	(1,591)
Other differences	(13)	70
	792	354

(c) Recognised deferred tax assets and liabilities

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2016 $000	2015 $000 Restated	2016 $000	2015 $000 Restated
Deferred tax liabilities				
Accelerated depreciation for tax purposes	2,720	2,883	(163)	(56)
Fair value adjustment to biological assets	4,649	4,850	(200)	435
Increase accounting cost for finished goods	371	249	122	10
	7,740	7,983	(241)	389
Deferred tax assets				
Provision for doubtful trade debtors	17	37	20	2
Provision for employee benefits	546	453	(93)	30
Impairment of non-current assets	290	-	(290)	-
Losses on foreign currency hedges not recognised in profit and loss	853	12	-	-
Other provisions	261	83	(178)	(78)
	1,967	585	(541)	(46)
Net deferred income tax liability	(5,773)	(7,398)		
Deferred tax (credit) / expense			(782)	343

The Group has Tax losses available to carry forward of $nil (2015: $1,506k). In 2015, these tax losses were not recognised for deferred tax purposes.

(d) Imputation credit acount

The imputation credit account balance in the New Zealand King Salmon Company Limited as at 30 June 2016 is $986k (2015: $nil).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

10 Components of other comprehensive income

	2016 $000	2015 $000 Restated
Cash flow hedges		
Forward currency contracts		
Reclassification during the year to profit or loss	(77)	-
Income tax effect	22	-
Realised/unrealised net gain/(loss) during the year	(1,960)	864
Income tax effect	549	(242)
Interest rate swaps		
Realised/unrealised net gain/(loss) during the year	(974)	(998)
Income tax effect	273	279
Currency translation differences	(194)	128
	(2,362)	**32**

11 Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2016 $000	2015 $000 Restated
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings	2,593	6,259
	Shares	**Shares**
Weighted average number of ordinary shares for basic earnings per share	25,268	25,268
Adjustment for share options	-	375
Weighted average number of ordinary shares for diluted earnings per share	**25,268**	**25,643**

12 Cash and cash equivalents

	2016 $000	2015 $000 Restated
Cash at bank and on hand	1,665	2,134
Short-term deposits	754	3,388
	2,419	**5,522**

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Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

13 Trade and other receivables

	2016	2015
	$000	$000
		Restated
Trade receivables	9,156	7,789
Allowance for impairment loss	(69)	(131)
Prepayments	1,098	986
Other receivables	44	24
	10,229	**8,668**

Refer to note 28 for amounts owing by related parties.

Trade receivables generally have 20-30 day terms and are recognised at their realisable value. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. Impairment losses are recognised net of insurance proceeds when there is objective evidence that the Group will not be able to collect the debt.

As at 30 June the ageing analysis of trade receivables is:

			Past due but not impaired			
	Total	Neither past due nor impaired	< 15 days	15-30 days	31-90 days	> 90 days
	$000	$000	$000	$000	$000	$000
2016	9,156	7,696	1,157	82	45	176
2015	7,789	6,507	1,153	9	-	120

As at 30 June 2016 trade receivables of an initial value of $69k (2015: $131k) were impaired and fully provided for.

Movements on the Group provision for impairment of trade receivables are as follows:

	2016	2015
	$000	$000
		Restated
As at 1 July	131	183
Additional provision for impairment	10	10
Receivables written off during the year as uncollectable	-	(18)
Unused amounts reversed	(72)	(44)
As at 30 June	69	131

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

14 Inventories

	2016 $000	2015 $000 Restated
Raw materials	9,811	6,536
Work in progress	50	49
Finished goods	7,430	5,172
Total inventories	**17,291**	**11,757**

The closing cost of finished goods as at 30 June 2016 includes a fair value uplift at point of harvest of $2,507k (2015: $1,679k) and an impairment provision of $1,572k (2015: $1,063k).

	2016 $000	2015 $000 Restated
Amount of inventories recognised as an expense in the statement of comprehensive income		
Cost of inventories recognised as an expense	104,491	93,086
Movement in net realisable value of inventory (increase)/decrease	392	596
Total cost of inventories included in cost of goods sold	**104,883**	**93,682**

The cost of inventories recognised as an expense for the year ended 30 June 2016 includes a fair value uplift at point of harvest of $30,116k (2015: $27,480k).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

15 Biological assets

The Group has three hatcheries in the South Island and eight operational marine salmon farms in the Marlborough Sounds. The fish livestock typically grow for up to 31 months before harvest.

	2016	2015
	Fair value	Fair value
	$000	$000
Biological assets:		Restated
As at 1 July	47,595	45,019
Increase due to biological transformation	91,530	80,680
Decrease due to harvest/mortality	(86,754)	(79,699)
Changes in fair value	579	1,595
As at 30th June	**52,950**	**47,595**
Closing fair value uplift on biological assets	16,602	17,323
Fair value gain/(loss) recognised in profit or loss		
Gain arising from growth of biological assets	29,644	27,944
Movement in fair value of biological assets	579	1,595
Total fair value gain/(loss) on biological transformation	**30,223**	**29,539**
Biomass (live weight)	**kg 000**	**kg 000**
Fish harvest for the year	7,176	6,584
Closing fresh water stocks	174	61
Closing sea water stocks	4,400	4,032
Total closing biomass at 30th June	**4,574**	**4,093**

Fair value measurement

Measurement of fair value is performed using a fair value model based on the most relevant market price assumptions at balance date. These are then adjusted for the most relevant prices at the expected time of harvest if required. The method of valuation therefore falls into level 3 of the fair value hierarchy as the input is an unobservable input (see note 24 for details of the hierarchy). The valuation of biological assets is carried out separately for each site at a brood and strategy level. Estimated actual cost per site is used to measure the expected margin at the time the fish is defined as ready for harvest, being 4.0kg live weight. The expected margin is recognised proportionately based on its weight at reporting date, with the starting point being the transfer to sea water as this is considered the point at which the fish commence their grow out cycle.

Risk management and sensitivity

The Group is exposed to financial risks relating to the production of salmon stocks including climatic events, disease and contamination of water space.

The Group seeks to produce and market the highest quality salmon products. Extensive monitoring and benchmarking is carried out to provide optimum conditions and diets to maximise fish performance during the grow out cycle. Sales are maintained in a range of brands, products and markets to maximise returns from the quality mix of fish produced. The Group has insurance to cover various risks relating to the livestock.

The estimate of unrealised fair value adjustment is based on several assumptions. Changes in these assumptions will impact the fair value calculation. The realised profit which is achieved on the sale of inventory will differ from the calculations of fair value because of changes in key factors such as the final market destinations of fish sold, changes in price, foreign exchange rates, harvest weight, growth rates, mortality, cost levels and differences in quality.

A 5.0% increase/decrease in average sales prices would increase/decrease fair value of biological assets and profit before tax by $2.4m, while a 5.0% increase/decrease in harvest volume would increase/decrease the fair value of biological assets and profit before tax by $1.2m leaving all other variables constant.

A change in production costs will generally have a lesser impact on the fair value effect than the same change in sale price or harvest volumes. Changes in health and environmental factors might affect the quality of harvested fish, which may be reflected in profit margins via both achieved sales price and production costs.

Notes to the Consolidated Financial Statements

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16 Property, plant and equipment

	Freehold land and buildings	Plant, equipment and fittings	Vehicles and sea vessels	Construction in progress	Total
	$000	$000	$000	$000	$000
Cost					
As at 1 July 2014 restated	8,555	42,883	2,429	1,669	55,536
Additions	245	4,518	309	6,242	11,314
Disposals	(729)	(2,510)	(281)	(5,910)	(9,430)
As at 30 June 2015 restated	**8,071**	**44,891**	**2,457**	**2,001**	**57,420**
Additions	958	6,791	122	6,979	14,850
Disposals	-	(763)	(194)	(7,895)	(8,852)
As at 30 June 2016	**9,029**	**50,919**	**2,385**	**1,085**	**63,418**
Depreciation and impairment					
As at 1 July 2014 restated	1,149	23,462	1,178	-	25,789
Depreciation charge for the year	194	3,237	158	-	3,589
Disposals	(102)	(2,219)	(68)	-	(2,389)
As at 30 June 2015 restated	**1,241**	**24,480**	**1,268**	**-**	**26,990**
Depreciation charge for the year	201	3,441	176	-	3,818
Impairment	-	522	391	-	913
Disposals	-	(758)	(141)	-	(899)
As at 30 June 2016	**1,442**	**27,685**	**1,694**	**-**	**30,822**
Net book value					
As at 30 June 2015 restated	**6,830**	**20,411**	**1,189**	**2,001**	**30,430**
As at 30 June 2016	**7,587**	**23,234**	**691**	**1,085**	**32,596**

Borrowing costs capitalised in the cost of plant, equipment and fittings in the year amounted $46k (2015: $33k).

In 2016, the impairment loss of $913k related to $522k of currently unused plant and equipment and $391k relating to the change in use and impairment of two vessels.

Finance leases

The carrying value of property, plant and equipment held under finance leases as at 30 June 2016 was $229k (2015: $291k). There were no additions to property, plant and equipment under finance leases in the 2016 year (2015: $291k). Leased assets are pledged as security for the related finance lease liabilities.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

17 Intangible assets

	Trademarks	Farm and hatchery licences	Software licences	Goodwill	Total
	$000	$000	$000	$000	$000
Cost					
As at 1 July 2014 restated	242	4,904	3,665	39,255	48,066
Additions	-	-	245	-	245
Disposals	-	-	-	-	-
Written off	-	-	-	-	-
As at 30 June 2015 restated	**242**	**4,904**	**3,910**	**39,255**	**48,311**
Additions	-	50	19	-	69
Transfer to assets held for sale	-	(632)	-	-	(632)
Written off	-	-	(2)	-	(2)
As at 30 June 2016	**242**	**4,322**	**3,927**	**39,255**	**47,746**
Amortisation and impairment					-
As at 1 July 2014 restated	-	425	3,200	-	3,625
Amortisation	-	127	332	-	459
Disposals	-	-	-	-	-
Impairment	200	-	-	-	200
As at 30 June 2015 restated	**200**	**552**	**3,532**	**-**	**4,284**
Amortisation	-	214	211	-	425
Transfer to assets held for sale	-	(210)	-	-	(210)
Impairment	-	124	-	-	124
As at 30 June 2016	**200**	**680**	**3,743**	**-**	**4,623**
Net book value					
As at 30 June 2015 restated	**42**	**4,352**	**378**	**39,255**	**44,027**
As at 30 June 2016	**42**	**3,642**	**184**	**39,255**	**43,123**

Goodwill

Goodwill resulted from the acquisition of The New Zealand King Salmon Co Limited and is subject to annual impairment testing.

Impairment testing of goodwill

The Group performed its annual impairment test in June 2016 and June 2015. The Group considers the relationship between its market capitalisation and its book value, among other indicators, when reviewing for indicators of impairment.

The goodwill is allocated against the New Zealand King Salmon Company's cash generating unit. The recoverable amount of the cash generating unit has been determined based on a value in use calculation using future estimated cash flows, capital expenditure and changes in working capital over a five year period. The forecasts were based on actual results and expected future use of water space licences currently held, before fair value adjustments to biological assets. The growth rate used to estimate the cash flows of the unit beyond the five-year period is 2.9% p.a. (2015: 2.9% p.a.). A discount rate of 10.4% p.a. (2015: 10.5% p.a.) has been applied to discount future estimated cash flows to their present value. The net present value of these future estimated cash flows exceeds the carrying amount of goodwill therefore the Company has concluded that there is no impairment to the goodwill.

The calculation of value in use is most sensitive to changes in sales prices including foreign exchange rates, volumes and fish performance metrics. Reasonably probable changes in the assumptions used would not cause the carrying value of goodwill to exceed the recoverable value.

Trade marks

The trade mark acquired is "Southern Ocean". This trade mark is of on-going value to the Group sales program and provides product differentiation with respect to other similar products in the market. This asset is considered to have indefinite useful life.

Impairment testing of trademarks

The trademarks are externally acquired trademarks and are carried at cost. They have indefinite useful lives and are assessed annually for impairment. The "Sea Smoke" trade mark was impaired during the 2015 year. Management has concluded that no further impairment is necessary as future estimated cash flows generated from the trademarks exceed the carrying value.

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18 Non - current assets held for sale

	2016 $000	2015 $000 Restated
Marine licences held for sale	421	-
	421	

A process has been initiated which may result in a swap of the licence to operate a currently unused farm for alternative water space. To complete the process further scientific work and public consultation will be required. The decision will be made by government and is potentially subject to the Resource Management Act. The carrying value of the licence less costs to sell has been reviewed and is considered to be fully recoverable in the event of either a swap or sale.

19 Interest bearing loans and borrowings

	2016 $000	2015 $000 Restated
Current		
Current portion of finance lease liabilities	66	82
Current portion of secured bank loans	19,000	20,000
Other borrowings	260	300
	19,326	20,382
Non-current		
Finance lease liabilities	163	218
	163	218

The Company has a committed cash advance facility with BNZ for $30m, secured by a general security deed over the assets of the Group. The expiry date of this facility is 30 September 2018, with an extension available to September 2020 by agreement. At balance date $19m of the facility was drawn (2015: $20m).

The Group has one standby letter of credit facility in respect of Company credit cards to the value of $200k. There are no other credit facilities.

20 Trade and other payables

	2016 $000	2015 $000 Restated
Trade payables	12,213	8,398
Non-trade payables and accrued expenses	3,203	2,040
	15,416	10,438

21 Employee benefits

	2016 $000	2015 $000 Restated
Current provisions		
Bonuses	530	130
Employee annual and sick leave benefits	1,689	1,530
Long service leave	165	73
	2,384	1,733
Non-current provisions		
Long service leave	465	399
	465	399

Long service leave provisions are calculated based on the expected future payments to employees, discounted to their net present value.

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22 Commitments and contingencies

(a) Operating leases

The Group has entered into various operating lease arrangements with providers of premises, vehicles and equipment. Many of these arrangements are for specified terms with rights of renewal on expiry of the terms.

The commitments under non-cancellable operating leases take into account the renewal periods existing at balance date and are as follows:

Group as lessee	2016 $000	2015 $000 Restated
Less than one year	619	576
Between one and five years	789	674
Total minimum lease payments	1,408	1,250

(b) Finance leases

The Group has finance leases for various items of plant and machinery. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are as follows:

	2016		2015 restated	
	Minimum payments $000	Present value of payments $000	Minimum payments $000	Present value of payments $000
Less than one year	66	66	82	82
Between one and five years	163	149	218	194
Total minimum lease payments	229	215	300	276

(c) Capital expenditure and other commitments

	2016 $000	2015 $000 Restated
Total capital and other commitments	2,602	2,604

The Group has paid deposits towards the purchase of new equipment for processing plants of $35k (2015: nil).

The Group entered into a research agreement in 2015 with Seafood Innovation Ltd and Cawthron Institute to improve the fish nutrition, survival and feed conversion rates of the King Salmon species. This research project is expected to run over 4 years until the end of 2018 and the Group's commitment to this project is $2,094k (2015: $2,604k).

The Group has entered into an agreement to purchase aquaculture plant and equipment. As at 30 June 2016 the total commitment is $473k (2015: nil).

(d) Contingencies

The Group has a contingent liability of $840k in respect of a fish transport contract requiring the Group to purchase three bulk tankers, should the fish transport contract be terminated early. (2015: two tankers, $606k).

The Group is purchasing cleaning materials from a supplier and amortising the cost of its cleaning equipment over the contracted materials purchasing period. The Group has a contingent liability of $106k (2015: $nil) should the purchasing contract be terminated early.

The Group is currently in discussion with a feed supplier regarding a feed quality issue. The financial impact of the issue is already included in the results for the period to 30 June 2016 and the Group is currently not purchasing feed from the supplier. The outcome is currently uncertain.

The Group has provided for known or lodged employment related claims, which nonetheless it is actively defending. In common with many businesses there is a possibility of future claims, which management actively works to mitigate or resolve.

Notes to the Consolidated Financial Statements

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23 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group uses derivative financial instruments to hedge certain risk exposures. Financial risk management is the responsibility of the Chief Financial Officer in accordance with the Treasury Policy approved by the Board of Directors. In addition, the Group has a Treasury Committee, a sub-committee of the Board that oversees financial risk management.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currency, arising primarily from normal trading activities, but also from the net investment in the foreign subsidiary.

The Group manages its foreign currency risk by hedging its future exposure in respect of its import purchases and its export sales, over a maximum of four years, when exposures are considered highly probable. The Group hedges this exposure with the use of forward foreign exchange contracts and options. The notional contract amounts of forward foreign exchange contracts and options outstanding at balance date were $67,132k on the import side (2015: $20,975k) and $43,476k on the export side (2015: $28,055k), for delivery over the next four financial years, in line with anticipated payment dates.

The Group imports feed from Chile and Australia, purchases of which are in US and Australian dollars respectively. In order to protect against exchange rate movements and to manage the inventory costing process, the Group has entered into forward exchange contracts to purchase Australian dollars.

The Group exports salmon to many countries, the major ones being Australia, Japan and the United States. sales are denominated in Australian dollars, Japanese yen and US dollars respectively. The Group has entered into forward exchange contracts to sell Yen and US dollars.

The cash flows are expected to occur up to 48 months from 1 July 2016. The profit and loss within cost of sales will be affected as sales are made.

The Group tests each of the designated cash flow hedges for effectiveness on a monthly basis both retrospectively and prospectively using the ratio offset method. If the testing falls within the 80%:125% range, the hedge is considered highly effective and continues to be designated as a cash flow hedge. At balance date all foreign currency hedges were determined to be highly effective.

The NZ dollar equivalent of unhedged currency risk on assets at balance date is $70k (2015: $113k) whilst the NZ dollar equivalent of unhedged currency risk on liabilities at balance date is $4k (2015: $26k).

Foreign currency sensitivity

The following table demonstarates the sensitivity to a reasonably possible change in the value of the New Zealand Dollar against the key currencies to which the Group is exposed. The impact on the Group's pre-tax profit is the result of a change in fair value of monetary assets and liabilities. The impact on the Group's equity is due to changes in the fair value of forward exchange contracts and options designated as cash flow hedges.

	2016		2015	
	Equity	**Profit**	**Equity**	**Profit**
	$000	**$000**	**$000**	**$000**
Impact of a 5% strengthening of the NZD	913	(3)	(286)	(4)
Impact of a 5% weakening of the NZD	(1,097)	3	317	4
Impact of a 10% strengthening of the NZD	1,702	(7)	(545)	(9)
Impact of a 10% weakening of the NZD	(2,413)	7	672	9

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(ii) Interest rate risk

The Group has exposure to interest rate risk that arises mainly due to the Groups long term debt obligations with floating interest rates. Interest earned on call deposits are based on the current interest rate. Interest rate swaps are used to manage interest rate risk. The amount of Parent borrowing covered using swaps at balance date was $19m (2015: $19m).

The Group manages its interest rate risk by hedging its future exposure with interest swaps, fixing a minimum of 50% of a rolling 12 month projected debt balance. Longer dated periods may be covered with forward starting swaps out to a maximum of 10 years.

Swaps in place at balance date cover 100% (2015: 95%) of the principal outstanding and are timed to expire in the next six to fifty four months. Forward starting swaps have been used to further extend maturities out to 2019 ($4m), and 2024 ($11m). The fixed interest rates for the existing swaps range between 3.4% and 4.75% (2015: 3.4% and 5.05%) and the average variable rate of 2.34% is aligned to the floating quarterly bank bill rate. The loss on interest rate swaps at balance date was $2,007k (2015: $960k loss), which has been taken to reserves.

Interest rate sensitivity

The following table demonstrates the sensitivity of the fair value of the interest rate swaps to a reasonably possible change in interest rates:

	2016 Profit $000	2015 Profit $000 Restated
Impact of an increase of 50 basis points	525	549
Impact of a decrease of 50 basis points	(547)	(570)

(b) Credit risk

Credit risk is the risk of financial loss that arises if a counterparty to a financial instrument does not meet its contractual obligations. Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, trade receivables, derivative financial instruments and financial guarantees.

Financial instruments are only entered into with banks that have in place an executed International Swaps and Derivatives Association (ISDA) Master Agreement with the Group.

The Group performs credit evaluations on all customers requiring credit and generally does not require collateral. The Group has credit insurance in respect of the majority of the risk associated with export and New Zealand food service customers.

Maximum exposures to credit risk as at balance date are:	2016 $000	2015 $000 Restated
Cash at bank	2,419	5,522
Receivables	10,229	8,668
Derivative financial assets/(liabilities)	225	(41)

The above maximum exposures are net of any recognised provision for losses. No collateral is held on the above amounts.

Concentrations of Credit Risk

Bank balances are maintained with several banks but mainly with the Bank of New Zealand Limited and ANZ. There is a wide spread of debtors, in terms of size and geographical location within New Zealand and overseas.

Concentration of credit risk in trade receivables is not considered significant as the Group's customers operate in different market channels and geographic areas.

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(c) Liquidity risk

The Group performs cash flow forecasting activities on a daily basis to ensure it has sufficient cash to meet operational needs and monitors performance against bank covenants on a monthly basis. Surplus cash is invested in short-term or money market deposits.

Undrawn committed facilities and/or liquid assets are maintained at all times at an amount sufficient to cover the forecast cash payments to employees, suppliers, tax authorities and banking institutions as they fall due.

The following table analyses the contractual and expected cash flows for all financial liabilities:

As at 30 June 2016	**Less than 1 year**	**1 - 2 years**	**2 - 5 years**
	$000	**$000**	**$000**
Bank loans	798	1,817	5,293
Development loans	370	3,700	-
Finance lease liabilities	66	66	97
Trade and other payables	15,416	-	-
Financial guarantee contracts	41	41	41
Total non-derivative liabilities	**16,691**	**5,624**	**5,431**
Forward foreign currency exchange contracts	39,404	34,263	21,428
Forward foreign currency options	7,005	1,484	7,023
Interest swaps	342	381	1,128
Total derivative liabilities	**46,751**	**36,128**	**29,579**

As at 30 June 2015 restated	**Less than 1 year**	**1 - 2 years**	**2 - 5 years**
	$000	**$000**	**$000**
Bank loans	760	798	5,374
Development loans	323	370	3,700
Finance lease liabilities	75	75	68
Trade and other payables	14,744	-	-
Financial guarantee contracts	527	41	41
Total non-derivative liabilities	**16,429**	**1,284**	**9,183**
Forward foreign currency exchange contracts	17,153	16,603	15,273
Forward foreign currency options	747	-	-
Interest swaps	298	339	1,087
Total derivative liabilities	**18,198**	**16,942**	**16,360**

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24 Fair values of financial instruments

The table below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

		2016		2015 restated	
		Carrying amount $000	Fair value $000	Carrying amount $000	Fair value $000
Financial assets					
Current assets	Forward exchange contracts	339	339	1,885	1,885
	Foreign exchange options	187	187	7	7
	Interest rate swaps	-	-	213	213
		526	**526**	**2,105**	**2,105**
Non-current assets	Forward exchange contracts	734	734	680	680
	Foreign exchange options	709	709	-	-
	Interest rate swaps	-	-	2,280	2,280
		1,443	**1,443**	**2,960**	**2,960**
Financial liabilities					
Current liabilities	Loans and borrowings	19,000	19,000	20,000	20,000
	Obligations under finance leases	66	66	82	82
	Forward exchange contracts	1,107	1,107	1,223	1,223
	Foreign exchange options	27	27	24	24
	Interest rate swaps	1,185	1,185	922	922
	Other financial liabilities	4,427	4,427	4,306	4,306
	Shareholder loans	73,114	73,114	18,465	18,465
		98,926	**98,926**	**45,022**	**45,022**
Non-current liabilities	Obligations under finance leases	163	149	218	194
	Forward exchange contracts	1,319	1,319	405	405
	Foreign exchange options	634	634	-	-
	Interest rate swaps	822	822	2,532	2,532
	Shareholder loans	-	-	50,126	50,126
		2,938	**2,924**	**53,281**	**53,257**

The carrying value of cash and short term deposits, trade receivables, trade payables and other current liabilities is equivalent to their fair value due to the short term maturities of these instruments

Valuation methods

Financial instruments have been categorised into the following hierachy and valued according to the following definitions, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

All derivative financial instruments for which a fair value is recognised have been categorised within level 2 of the fair value hierachy. Industry experts have provided the fair values for all derivatives based on an industry standard model. The fair value of the Group's biological assets is categorised within level 3 - refer to note 15.

25 Capital management

The capital of the Group consists of share capital, reserves and retained earnings. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In addition to this the Group aims to ensure that it meets financial covenants attached to the interest bearing loans and borrowings that define capital structure requirements. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current period.

In order to maintain or adjust the capital structure the Group may adjust dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Guarantees

The Group has three guarantee facilities; one for NZ$200k in respect of credit card facilities at ANZ bank, one for NZ$37k in respect of premises leased from Haast Investment Ltd by the New Zealand King Salmon Co Limited and one for AU$3k in respect of premises leased from Sydney Fish Market by the New Zealand King Salmon Pty Limited.

26 Capital and reserves

	2016 000	2015 000 Restated
Ordinary shares	25,268	25,268

Ordinary shares are fully paid with no par value. Each ordinary share has an equal right to vote, to participate in dividends, and to share in any surplus on winding up of the Company.

Dividends paid during the year total $nil per share (2015: $nil per share).

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange difference arising from the translation of the financial statements of the foreign subsidiary.

27 Events after balance date

The Group is considering capital raising options at the time of preparing these financial statements. Depending on the option chosen, the future capital structure could change materially.