BIG IDEAS START HERE

New Zealand King Salmon

ANNUAL
REPORT
2018

Big ideas often have humble beginnings.

King salmon were introduced to New Zealand over 100 years ago. From these first small eggs, a self-sustaining wild population developed, and the idea of salmon for game fishing led to another big idea: King salmon farming.

Our company embraced this vision, which is why we're now the world's largest producer of this rare species, farming more than 50% of the world's supply. Our team of nearly 500, most in the Top of the South Island, export our outstanding premium products to 18 countries and we're pretty proud of what we've achieved.

Now we're embracing the next big ideas.

With global demand for protein expected to double by 2050, New Zealand has the opportunity to contribute with minimal environmental impact. We can develop a world-leading aquaculture industry that is the greenest primary industry in the country.

New Zealand King Salmon is an aspirational company and we are excited about what's in front of us. It won't be easy to achieve – but what big idea ever was?

We believe in creating the ultimate salmon experience. As the world's largest producer with more than 30 years of farming, processing and branding our unique breed, we're the King salmon experts.

Our company and our industry already contribute to a high quality of life, not only in the Top of the South Island, but all over New Zealand too.

But there's even more we can do.

We think it's time to harness the big ideas to place New Zealand and our industry, at the forefront of sustainable food development.

Our King salmon is the highest quality, tastiest salmon you can get. We're also incredibly committed to making sure it's grown in the safest, most sustainable way possible.

We're proud that our high-value brands – Ōra King, Regal, Southern Ocean and Omega Plus – are known for their quality, category leadership and innovation across New Zealand and an increasing number of international markets.

By investing in cutting-edge aquaculture technology and expertise, we have the opportunity to position our farming operations to drive our brands forward and deliver even better results.

Our aspiration is to farm to the highest standards with a combination of open ocean and inshore sites, reducing the impact on our communities and the environment. The proposed farm relocation would be a stepping stone towards this vision, by growing our business in a way that is environmentally, socially and economically sustainable.

This is the future for salmon farming in New Zealand and this is our opportunity to generate value over the long-term.

“Proudly contributing to a sustainable food future with a unique breed of King salmon grown and processed in the Top of the South, New Zealand.”

SALMON BITES

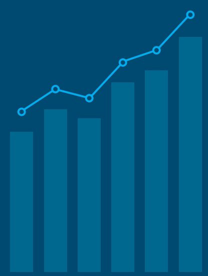
ONLY
0.7%
OF THE WORLD'S SALMON IS KING SALMON

WE SUPPLY MORE THAN
50%
OF THE WORLD'S FARMED KING SALMON

4.4kg AVERAGE HARVEST SIZE

8,018
METRIC TONNES HARVESTED

$550 million
REVENUE GENERATED BY AQUACULTURE IN NEW ZEALAND



REVENUE OF
$160.3 million

NET PROFIT AFTER TAX
$16.1 million

PRO FORMA OPERATING EBITDA
$26.2 million
17% ABOVE FY18 PDS FORECAST

$30.4 million PER HECTARE

REVENUE HIGH FLOW SITES

9 ha

LOW FLOW SALMON FARMS UNDER CONSIDERATION FOR RELOCATION

1st 4 star ★★★★

BEST AQUACULTURE PRACTICES (BAP) CERTIFIED SALMON PRODUCER IN AUSTRALASIA

1223 RESTAURANTS FEATURING ŌRA KING ON THE MENU

ŌRA KING™

A SINGLE ŌRA KING TYEE SOLD FOR

NZD $904

$28.9 million

TOTAL REGAL BRANDED SALES

TOTAL OMEGA PLUS PET FOOD SALES

$503,000

87%

OF TEAM MEMBERS AT OR ABOVE LIVING WAGE

18 NEW JOBS IN FY18

TOP OF THE SOUTH

446 EMPLOYEES

375 SHAREHOLDERS

5th LARGEST EMPLOYER IN THE TOP OF THE SOUTH

John Ryder
CHAIRMAN

Grant Rosewarne
MANAGING DIRECTOR & CEO

CHAIR & CEO REPORT

The conclusion of our second year as a public company brings great satisfaction to the Board and senior management, with a successful year's performance, despite challenging growing and climatic conditions. In addition, we've made further steps in improving our aquaculture and processing infrastructure, to deliver the best quality product possible within the current constrained supply. We must find a way to capitalise on the thriving demand we see for our brands worldwide, and suitable water space is a critical factor in achieving this.

Our long-term plan for capacity expansion and improved biosecurity has been a key area of focus this year, with the first stage of the plan hinging on a positive decision from the Ministry of Primary Industries (MPI) farm relocation proposal. Longer-term, we are committed to exploring open ocean sites with newly commercialised farming technology.

Pursuing these big ideas with persistence and sound science will give us the tools to transform our industry into a significant contributor to a sustainable food future. We are proud to be part of the aquaculture industry in New Zealand, which has huge growth potential.

We're now the fifth largest employer in the Top of the South region, and a significant New Zealand food business and exporter. As the business continues to grow, we have a responsibility to our industry and to our home region to demonstrate leadership, set a great example, and collaborate towards smarter outcomes all-round. Salmon farming is already one of the most efficient forms of animal food production in the world, and we are always trying to do even better for our local communities, our consumers, and all New Zealanders.

Our mission is to:

- Enrich the lives of our Customers (taste and health), Team Members (wellness, personal development and wealth) and Shareholders (wealth, environmental and social conscience).
- Contribute positively to the Communities in which we operate providing regional prosperity and operating to achieve net improvements to the natural environment.
- Reward our Partners (value added relationships) and Suppliers (transactional relationships) fairly.

We will increase our scale if it maximises the outcomes for all these stakeholders. As a result of coming into contact with us, we want all stakeholders to be better off.
We are for good.

With regard to our team members we want them, as stated above, to have the positive outcomes of wellness, personal development and wealth. We find it helpful and convenient that someone has created a credible benchmark regarding a decent living standard in the Living Wage concept. For the time being, we have adopted this benchmark and set it as a target to be achieved for all our team members. In the future we may retain this target or adopt an alternative benchmark. At the end of FY18, 87% of our team members were at or above the Living Wage benchmarked and we expect to increase this over time.

A PIVOTAL MOMENT FOR A GREEN INDUSTRY

A recently released report by the Global Salmon Initiative (GSI) shows that global demand for protein is set to double by 2050, and that salmon is the most resource-efficient animal production method on the planet.

International demand for our premium brands is outstripping the sector's ability to supply, and with increasing attention around the appropriate future use of our natural resources, the industry needs strong Government support to keep growing.

Aquaculture is a 'sunrise' industry – in comparison to 'sunset' industries such as oil and gas – and has the potential to contribute significantly to New Zealand's sustainable food future. To put this into context, the revenue from just 80 surface hectares of farming space – roughly the size of a small land farm and around three times the size of today's salmon industry in New Zealand – would be enough to completely eliminate New Zealand's 2017 trade deficit of $2.8 billion.

We believe that aquaculture could be the greenest primary industry for New Zealand, contributing to regional economic growth and sustainable leadership with a locally sourced low-impact, healthy and high-value protein.

As a company, we are on the cusp of fulfilling our vision for growth. The MPI salmon farm relocation proposal currently being considered by the Government, is the first step in the industry adapting to deliver improved environmental, social and economic outcomes for our region. Moving our nine surface hectares is an important step that allows us to develop and prove new technology in preparation for offshore farming.

MINISTRY OF PRIMARY INDUSTRIES' SALMON FARM RELOCATION PROPOSAL

Over the course of the year, we've continued to work positively with the new Government to progress a plan to relocate some of our farms to higher-flow waters. The past summer has seen challenges with fish survival due to warmer water temperatures in the Marlborough Sounds. Farms located in higher-flow waters will deliver much better survival over high temperature periods.

We want to move some of our farms to prepare for the future of salmon farming, improve biosecurity, reduce fish mortality and create even more green jobs. Through more efficient use of marine farming space, rather than additional new space, a successful relocation proposal could create hundreds of new jobs, significant additional revenue, and thus, the springboard required to support investing in offshore farms.

We hope for a decision from the Minister of Fisheries in the near future.

BIG IDEA

OCEAN FARMING – THE NEXT BIG IDEA

Ocean farming is part of the future of our industry. It will mean we can farm beyond the Sounds, maximise our biosecurity management, and further reduce the impact we have on our community. Long-term, we see our business requiring a combination of open ocean and inshore sites to operate successfully and at best practice. It is likely that inshore sites will be used for staging and harvesting.

Ocean farming provides the best conditions to produce quality protein at a greater scale, with next to no environmental footprint. This means we can create more regional GDP and local jobs, yet avoid disturbing residents and recreational water users. Additionally, developing open ocean farming allows us to implement best practice biosecurity management, by way of appropriate spatial separation.

Our first step is to develop and prove technology for ocean farming in New Zealand's environment, with our unique species. This requires investment in training and farm infrastructure, with the first prototype submersible pens expected to be trialled within our proposed relocation to higher-flow sites in the Sounds.

Our ability to grow beyond our current projected capacity of 12,000 metric tonnes by 2032 is predicated on our ability to deliver considered, collaborative and innovative farming solutions whilst minimising our impact on nature.

There's a long way to go before we can achieve our open ocean vision, and we'll be working closely with the Government, communities and iwi as our plan develops.




FINANCIAL UPDATE

For the twelve-month period ending 30 June 2018, the Board is delighted to report a record net profit after tax of $16.1 million. This is up 14.0% on the Prospective Financial Information (PFI) as included in our Product Disclosure Statement (PDS). The Pro Forma operating EBITDA, a metric used extensively by your Board as an indication of the underlying profitability for the group, is $26.2 million, up 21.1% on FY17 and 17.0% ahead of PFI.

The excellent FY18 results can be attributed to an initial boost in volume and an increasing global demand for our salmon. We saw strong sales growth in export markets, including increased sales of Ōra King, which delivered improved value. FY18 saw the company sell 7,779 metric tonnes of gilled and gutted salmon, an increase of 7.7% on FY17 and up 4.0% on PFI.

Whilst FY18 was impacted by an extended summer period of higher water temperatures, our strong H1 performance, coupled with product and pricing mix strategies, helped us maintain the highest possible value. Our focus remains on our branded salmon products, with sales of Ōra King, our best-of-breed salmon brand for premium foodservice, up 25.9% on FY17 and 16.7% on PFI.

New Zealand King Salmon is pleased to advise that a final dividend of 3.0 cents per share was declared for payment on 21 September, bringing the total dividend paid for FY18 to 5.0 cents per share.

BUSINESS UPDATE

It's been a tough year in maintaining access for Kiwis to locally grown fresh King salmon. New Zealand's enviable position as a predominantly King salmon producing market has been threatened due to the lack of local supply, with imported Atlantic salmon partially filling that gap. Through our communications programs and our work in the trade, we've aimed to guide consumers to easily identify local King salmon when they're shopping, as well as pointing out the species' differences.

The nationwide Regal advertising campaign, featuring Al Brown and Reg the Seal, reinforced our premium local offer with a strong Marlborough provenance message – "It's the merroir that makes the difference". Coupled with new product launches of the Regal Manuka Smoked range and an extended Omega Plus range, we maintained a strong category voice in the domestic market.

Overseas, we launched Regal smoked salmon ranges in North America, and in Asia towards the end of the year, whilst Ōra King sales continued to lead growth, particularly in North America with regional sales of 2,175 metric tonnes, up 26.6% on FY17.

We also brought one of our big ideas to fruition this year, with the launch of our exciting new Ōra King TYEE, a pioneering aquaculture discovery. The unique characteristics of our breed enable us to grow these rare salmon to over 13 kilograms – delivering our customers an even more luxurious, yet sustainable, sushi experience.

Despite the extraordinarily hot summer, our strategy of strong brands, diversified markets and innovation has delivered a record result.

PRODUCTION DEVELOPMENTS

As the FY18 year progressed it became apparent that volume was going to be significantly ahead of NZKS's expectations and well ahead of FY17 and PFI. However, at around the same time, the record FY18 marine summer temperatures took their toll and brought the volume back to 7.7% up on FY17 and 4.0% up on PFI. The costs associated with higher mortality would have normally negatively impacted our financial results, but we were able to maximise value and thereby achieved a record net profit after tax.

We continue to work on solutions to address the risk of rising seawater temperatures – in addition to a strong focus on fish husbandry and animal welfare, this year we have reduced stocking density on some farms. We see opportunities to improve future survival rates for our fish via preventative immunisation in our hatchery, and specifically targeting robustness in our selective breeding program.

SUMMARY

The Board would like to take this opportunity to acknowledge the contribution of our team to New Zealand King Salmon's very successful delivery of the two-year commitment within the Prospective Financial Information (PFI). We would also like to thank the broader New Zealand King Salmon team - our shareholders, our customers, our community and our partners, for supporting us throughout the year.

We look forward to "Creating the Ultimate Salmon Experience" and achieving our mission to enrich the lives of all our stakeholders.

John Ryder
CHAIRMAN

Grant Rosewarne
MANAGING DIRECTOR & CEO

PROSPECTIVE FINANCIAL INFORMATION

Your Board is pleased to announce Net profit after tax of $16.1m for the full year. This result is significantly ahead (14.0%) of the Prospective Financial Information (PFI) as disclosed in our Product Disclosure Statement (PDS). We are also delighted to report an operating result that sets a new record in the history of NZKS. Not only is Pro Forma operating EBITDA of $26.2m a new record for the company, it is significantly ahead of both FY17 and PFI (17.0% and 21.1% respectively). This result was made possible by the strong demand both domestically and offshore for our world-leading salmon, giving rise to increases in both volumes sold and average sale prices. The global demand for our unique salmon creates a platform for future earnings.

The table below summarises the key financial metrics for the business for FY18:

FINANCIAL PERFORMANCE – KEY INDICATORS

	2018			2017
Income Statement ($m)	**Actual**	**PDS**		**Actual**
Sales volume (MT)	7,779	7,480	▲	7,223
Revenue	160.3	143.6	▲	136.4
EBITDA	28.5	26.1	▲	38.5
Pro Forma EBITDA	26.2	22.4	▲	21.6
Net Profit After Tax (NPAT)	16.1	14.1	▲	22.8
Pro Forma Operating NPAT	14.5	11.5	▲	11.8
Total assets	216.0	198.8	▲	204.5
Cash and cash equivalents	14.4	0.6	▲	10.6
Total liabilities	49.7	45.1	▼	45.8
Net Cash/(debt)	4.0	9.6	▲	0.1
Net cash flows from operating activities	24.8	11.5	▲	5.3

Directors and management use non-GAAP profit measures when discussing financial performance in this document. The Directors and management believe that these measures provide information that is useful to stakeholders along with GAAP measures. International financial reporting standards require us to value our biological assets (salmon) at the end of each year. Changes in the values of biological assets are recognised as a gain or loss in our accounts. However, because only a small percentage of these fish are ready for harvest, our approach is to focus on profit or loss prior to this adjustment. Furthermore, the non-GAAP profit measures discussed above are also used internally to evaluate company performance. Non-GAAP profit measures are not prepared in accordance with NZ IFRS and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by New Zealand King salmon Investments Limited in accordance with NZ IFRS.

The table below shows how Pro Forma EBITDA and Pro Forma Net Profit reconcile to Net Profit in our Financial Statements (which are prepared in accordance with NZ IFRS).

	2018		2017
Reconciliation of Non-GAAP to GAAP Financials ($000)	**Actual**	**PDS**	**Actual**
Net Profit/ (Loss) After Tax	**16,125**	**14,149**	**22,764**
Add Back:			
Depreciation, amortisation and impairment	5,105	5,928	4,366
Net financing cost	690	478	1,802
Income tax expense/ (income)	6,562	5,541	9,601
Statutory EBITDA	**28,482**	**26,096**	**38,533**
Deduct:			
Fair value (gains) / losses	(2,549)	(3,742)	(17,962)
Operating EBITDA	**25,933**	**22,354**	**20,571**
Pro Forma adjustments:			
Non-recurring or infrequent items			
Consent swap expense write off	232	-	846
Offer costs	-	-	1,970
Supplier settlement gain	-	-	(1,784)
Pro Forma Operating EBITDA	**26,165**	**22,354**	**21,603**
Deduct:			
Depreciation and amortisation	(5,105)	(5,928)	(4,366)
Net financing cost	(690)	(478)	(878)
Income tax (expense) / income	(5,913)	(4,493)	(4,567)
Pro Forma Operating NPAT	**14,457**	**11,455**	**11,792**

In calculating Pro Forma Operating NPAT the income tax expense differs from statutory due to the adjusting of income tax to reflect tax expense on Pro Forma Operating EBITDA.

BIOLOGICAL PERFORMANCE – KEY INDICATORS

Low FY17 summer water temperatures and mortality resulted in strong first half growth and harvest of 8,018 metric tonnes, significantly in excess of the forecasted harvest of 7,518 metric tonnes as noted in the PDS (up 6.7%).

Extended high summer water temperatures gave rise to a significant increase in mortality which increased to 20.4%, ahead of our PDS (11.0%) and the year prior (8.5%). This increase in summer mortality also negatively impacted closing livestock biomass, which at 5,391 metric tonnes is now below both the PDS and the prior year, and also the feed volume discharged.

Whilst this result was disappointing, our aquaculture team is focused on continuing to improve fish diet to drive improved fish health outcomes, as well as investigating other options to lower both the feed conversion ratio (FCR) and mortality in future years. Actions already put in place to mitigate the ongoing effects of increased temperatures include:

- Immunisation of smolt in freshwater prior to transfer to sea (with nearly one million smolt already immunised and transferred).
- The introduction of additional resource into our fish health and welfare team.
- Continuing evolution and refinement of summer diets including the trialling of specialist health diets.

The FCR showed on improvement on FY17 as benefits were seen from changes to diet, however this remains above our PDS forecasts. We continue efforts to further improve FCR and are working with Seafood Innovations Ltd, the Cawthron Institute, and existing and prospective international feed partners to undertake research into improving feed for the King salmon species.

The table below shows key biological measures against the actual performance and the 2018 forecast detailed in the PDS:

	2018			2017
Biological Metrics	**Actual**	**PDS**		**Actual**
Harvest Volume (MT)	8,018	7,518	▲	7,232
Feed Conversion Ratio (FCR)	1.81	1.76	▼	1.84
Mortality as a % of Biomass	20.4%	11.0%	▼	8.5%
Closing Livestock Biomass (MT)	5,391	6,889	▼	6,227
Feed volume (MT)	17,952	17,986	▼	18,948

OUR VISION FOR FUTURE FARMING

MPI FARM RELOCATION

Proposed low flow sites for relocation

Proposed new high flow sites

Active sites

In February, the report and recommendations from the Marlborough Sounds Salmon Farm Relocation Advisory Panel were released. The Minister of Fisheries is expected to make a decision in FY19.

PwC Economic Impact Assessment

Up to 407 new jobs and $39 million GDP*

*Regional direct and indirect assuming full relocation.

THE BENEFITS

FISH HEALTH

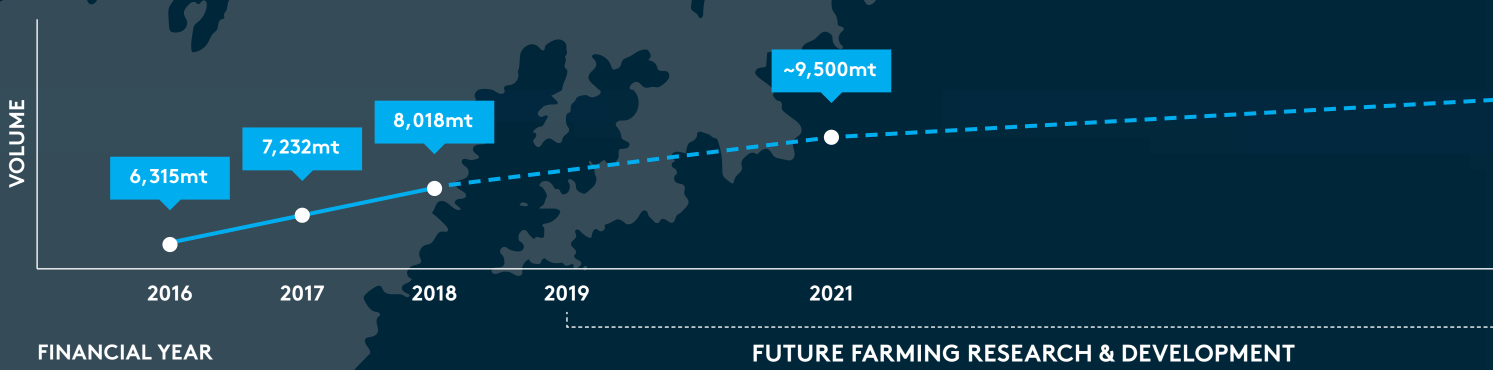
ENVIRONMENTAL

SOCIAL

REGIONAL ECONOMY

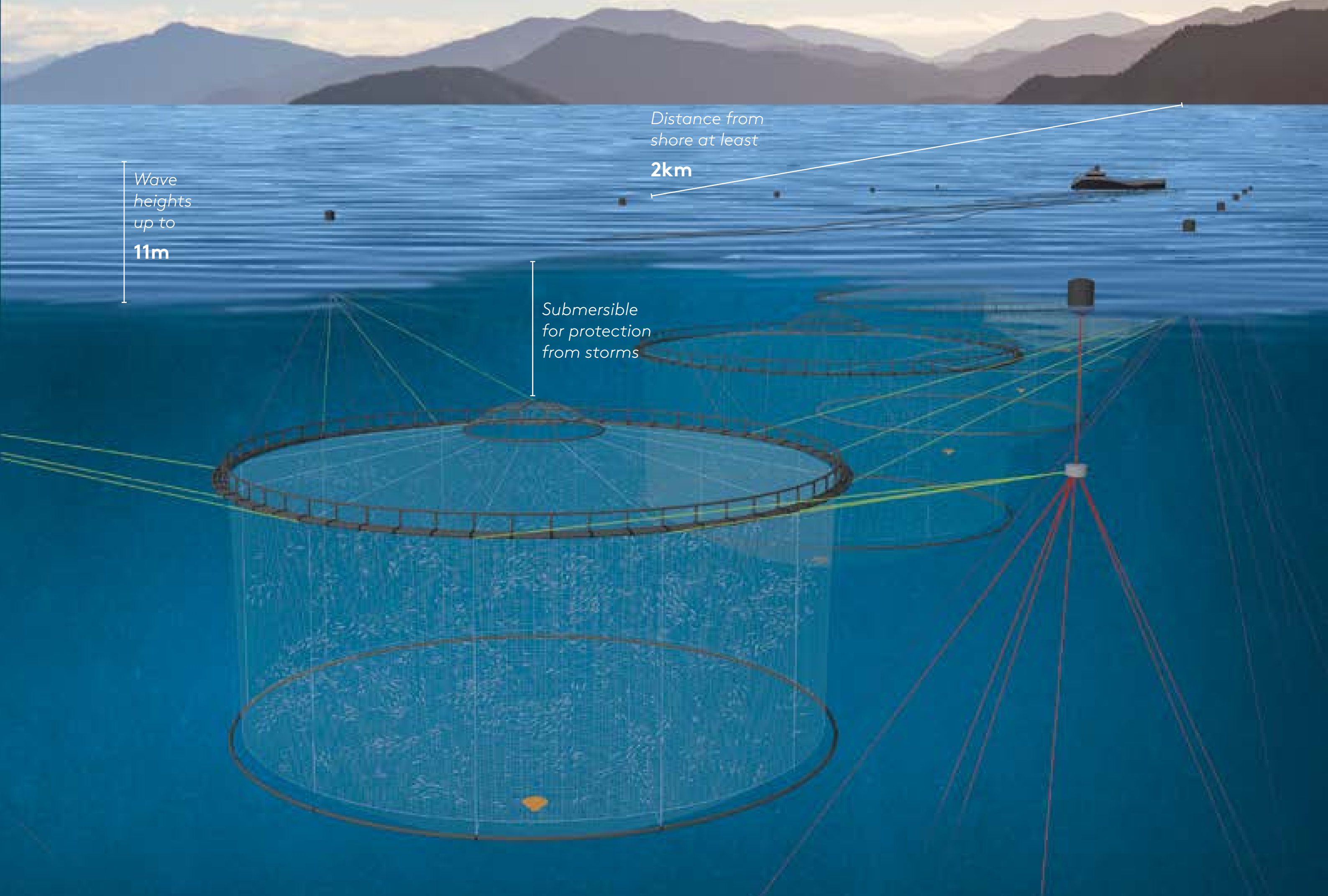
FUTURE INCREMENTAL GROWTH

Based on existing water space



FUTURE FARMING RESEARCH & DEVELOPMENT

Data collection, initial benchmarking, trialling of technology, continuing to explore waterspace options in other regions of NZ

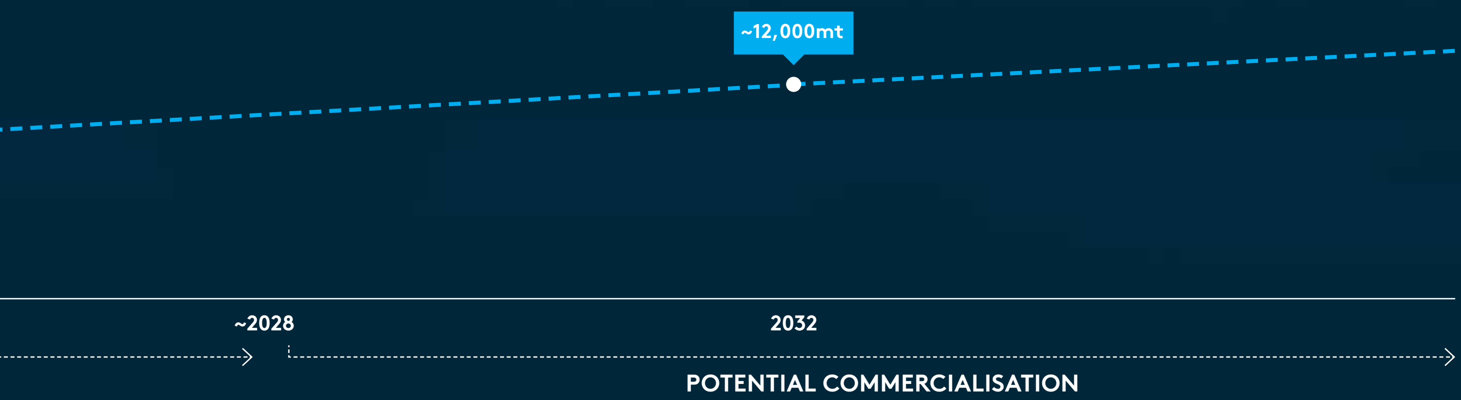


THE FUTURE INCLUDES OCEAN FARMING

In addition to optimising conditions and practices for our existing sea farms, the next big idea is to focus on our longer-term options for growth, in particular ocean farming. There are well-documented biosecurity benefits to having farms in multiple locations and we are currently reviewing opportunities for farming in several areas around the South Island, including Stewart Island. These steps are at the very early phase of information gathering and assessment and are some years away from full commercial implementation.

THE BENEFITS

- BIOSECURITY
- SPACE & DEPTH
- DISTANCE FROM COMMUNITIES
- MINIMAL SEABED IMPACT



OUR SUSTAINABILITY STORY

The success of our business in today's world is highly dependent on the communities and the environment in which we live and operate, as well as the people who care for our salmon and our products throughout the life cycle.

INTRODUCING OUR SUSTAINABILITY STORY

Sustainable environmental practices have been an integral part of our business for many years. In today's context, sustainability is also about people and, in a business context, delivering long-term value to stakeholders.

ANY BIG IDEA MUST BE SUSTAINABLE

From our base in regional New Zealand, we have a vision for sustainable economic growth. While mitigating the environmental effects of our activities throughout our entire business, we also strive for the prosperity and ongoing development of our people, our stakeholders and our community.

We aim to pass on our land and water environments to the next generation and beyond in the same or better condition than we inherited them.

Access to natural resources, water quality, climate change and regional economic development are major sustainable development issues for New Zealand in the early years of the 21st century.

Our Government has an ambitious target for New Zealand to become a world leader in sustainability, including improving the quality of fresh water resources, and achieving a carbon neutral target by 2050. We believe that our business can contribute positively towards a better outcome for our country, and the planet.

Last year, we announced our commitment to five United Nations' Sustainable Development Goals as a guiding framework for our sustainability activities, and as a follow-on to this, we have now committed to five sustainability goals specific to our business, outlined on the opposite page.

VERIFYING OUR SUSTAINABLE PRACTICES

Our environmental certifications and recommendations are achieved through regular audits with independent accreditation bodies. This year, we achieved another milestone with the Global Aquaculture Alliance's (GAA) Best Aquaculture Practices (BAP) programme. In April 2018, our largest feed supplier, Skretting Tasmania, achieved BAP certification, enabling NZKS to gain a fourth star as part of the certification.

Four stars is the highest designation in the BAP third-party certification program, indicating that a product originates from a BAP-certified processing plant, farm, hatchery and feed mill. New Zealand King Salmon is not only the first King salmon company to earn the distinction worldwide, but also the first salmon producer in Australasia with four stars. Our other feed suppliers already carry the requisite certification to support the achievement of the fourth star.

We also contributed to the fifth year of industry sustainability reporting with the Global Salmon Initiative (GSI) covering 14 key sustainability indicators – 9 environmental and 5 social. For more information visit www.globalsalmoninitiative.org/en/sustainability-report.

BEST AQUACULTURE PRACTICES CERTIFIED
★ Processor
★ Farm
★ Hatchery
★ Feed
Cert. No. P10331
www.bapcertification.org
The Responsible Seafood Choice

1st

Salmon producer in Australasia to achieve 4 star Best Aquaculture Practices (BAP) Certification

ocean wise. RECOMMENDED

A+ NEW ZEALAND Sustainable AQUACULTURE

Monterey Bay Aquarium Seafood Watch

AQUACULTURE STEWARDSHIP COUNCIL (ASC)

As a business, we are aligned with the GSI goal to maintain and grow the industry's license to operate, done so by improving the reputation of both farmed salmon and salmon farming.

As part of the long-term vision of the group, New Zealand King Salmon has signed up to implement the Aquaculture Stewardship Council (ASC) accreditation by 2020. We are currently engaging with auditing bodies to conduct a pilot evaluation at one of our farm sites.

We aim to pass on our land and water environments to the next generation and beyond in the same or better condition than we inherited them.

OUR COMMITMENT TO SUSTAINABILITY

We work to fulfil salmon aquaculture's potential as a positive force for the health of people, nature and our company.

We are committed to caring for water in our region.

We are a trustworthy and transparent neighbour and community partner.

We attract and develop talented people across our diverse roles and teams.

We are committed to using resources responsibly and reducing our impacts wherever possible.

We are focused on the following United Nations Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

OUR PEOPLE

One of the key ingredients to the future sustainability of any business is its people.

With close to 500 team members, predominantly based in Marlborough and Nelson, we are a significant employer for the region, requiring a diverse range of skills and experience. We are proud to be the fifth largest employer in the Top of the South Island.

We want to help our community prosper by providing an increasing number of 'green jobs' in our region, committing to fair pay, attracting and nurturing talent, maintaining a safe, happy and productive workplace and driving an engaged culture. In the last year, 18 new roles were recruited across our business, including eight in Marlborough.

Our goal of ensuring all our team members are paid to the New Zealand Living Wage standard - around $4 an hour more than minimum wage - is on track. During the year, we celebrated our latest milestone towards achieving this as a result of a further pay increase for those on the collective agreement in the processing and supply chain teams.

At the end of FY18, 87% of our team members were on or above the current Living Wage of $20.20 per hour. This Living Wage is set to increase in September 2018 to $20.55 per hour. By mid-2019, we will have more than 90% of team members at or over the $20.55 mark.

5th

LARGEST EMPLOYER IN THE TOP OF THE SOUTH *

In 2019, all of our team members will be at or over the current living wage of $20.20.

*Full time equivalent (FTE) figures are approximate and based on a best effort estimate as at April 2018. Nelson, Marlborough and Tasman.

THE VALUE OF RECOGNISING POSITIVE BEHAVIOURS

We actively recognise team members who demonstrate our company standards and behaviours at a high level. The Way We Work and Positive Safety Behaviour Awards are a great way of recognising when our team members go the extra mile. In the last six months of our financial year we received approximately 100 nominations for Way We Work or Positive Safety Behaviour Awards. A few examples of the excellent work are detailed below:

A team member was nominated for when he was doing a pre-dive check and noticed the depth gauge hose failed under pressure. The consequence of a dive gear failure can be very high so this shows the importance of doing pre-dive checks correctly and in line with our standard operating procedures.

A team member was nominated for conducting a very detailed safety briefing when introducing a new team member to water blasting. Research has indicated that new team members are more at risk of accidents than experienced people so taking time to explain it thoroughly is a great way of reducing the likelihood of an accident. We did have a notifiable incident involving a water blaster in FY18 which fortunately did not result in injury.

TALENT RECRUITMENT AND RETENTION

Our people are key to our success. We recognise the need to attract and retain great talent, continually supporting them in their professional development.

Supporting our managers in the recruitment process is the first step to securing the right people with the right skills to fill the right roles. A key part of this is also around additional personality profiling and testing to ensure the right cultural fit.

Leadership development is supported within the company with targeted manager and leadership workshops. Many team members have gone through the two-day Courageous Conversations workshops, encouraging strong, sensitive and assertive communication. More cross-functional visits and secondment programmes are underway, where we move team members around the company to encourage learning opportunities. Team members also undertake international visits to familiarise themselves with current best practice to bring the learnings back for application within business.

Professional and personal development includes a broad range of development activities from qualification-based programs to focused short courses. We continue to engage with our leaders and team members with structured leadership and health and safety conferences, where business strategy and information are communicated and new ideas are discussed.

Our company is proud of the way it continues to attract international talent. For example, this year, we recruited a fish welfare specialist and qualified vet from Chile. He brings 12 years of experience in fish farming, working in the areas of salmon production, fish health and welfare and fish feed analysis. This appointment is part of our ongoing commitment to fish welfare.

We also actively encourage movement and promotion within existing teams. For example, one team member has progressed through several roles to recently join our customer service team. Similarly, two of our farm workers have moved to the net cleaning team, and others have moved between the harvest and dive teams.

We also welcome secondments such as one team member who worked in our hot smoke factory for 13 years, and is now on secondment at our hatchery in Takaka, and another who is now working part-time in marketing in addition to his role in the customer service team.

DIVERSITY

As part of our efforts to attract and retain a diverse workforce, we work hard to ensure our new team members are well supported in their new roles and homes. Financial assistance is offered to relocate key international recruits and English language training is available. We are committed to supporting a diverse workforce in terms of race, age and gender, and our membership of the Employee Assistance Programme continues to ensure relevant support and advice is readily available to every team member.

We also put a lot of effort into supporting employees as they get older or those who suffer age-related disabilities or unexpected life changes. NZKS is also proud to be supportive of working parents, with a range of mothers, in particular, working part or flexi-time to suit their childcare commitments.

WORK PLACEMENTS AND INTERNSHIPS

We also understand the value in supporting students, the next generation of our workforce.

By offering work placements and internships, we provide students an opportunity to gain hands-on experience working within a local organisation.

We partner with Nelson Marlborough Institute of Technology (NMIT) to provide scholarships and work experience for Aquaculture students, many of whom have completed placements at our hatcheries or on our sea farms. We are delighted to have some of those graduates now employed in our Aquaculture team.

This year, we increased the NMIT scholarships to include two recipients from the NMIT Business School and the Culinary School to reflect the diverse range of careers available within our company. Each scholar will be offered tailored work experience opportunities to suit their career aspirations.

We have also taken on students as paid interns in our Finance, IT and Marketing teams, as well as in our new division, Omega Innovations.

SCHOLARSHIP RECIPIENTS 2018

Chris Waters

NZ King Salmon Aquaculture Scholarship recipient, Year 3

A special interest in whether native New Zealand sea cucumbers can be grown below salmon farms was behind Chris Waters' scholarship application. Being a mature student with two sons still at home, Chris has no access to a student loan this year so the scholarship is "significant' for him to complete his study. He hopes to one day repay NZKS as a future employee.

David Stephens

NZ King Salmon Aquaculture Scholarship recipient, Year 2

David Stephens is halfway towards achieving the degree he's always wanted, a dream that stems from a lifelong love of the marine environment and an interest in aquaculture.

Ruby Boyd

NZ King Salmon Aquaculture Scholarship recipient, Year 1

Whakatane student Ruby Boyd, 17, loves seafood, so when she happened to meet an NMIT lecturer who told her about their aquaculture course, she enrolled and moved to Nelson. "It's something I'm interested in and something I can get a job in."

"Aquaculture is something I'm interested in, and I know there are good job opportunities."

—— *Ruby Boyd, Scholarship recipient*

Raylene Juniper

NZ King Salmon Business Scholarship recipient

Raylene Juniper (also known as Raylene Finlay) started studying accounting in February 2017 and despite the "hard going" of juggling four of her five children still living at home, has maintained an A average.

"My goal is to provide for my family the best I can and I couldn't see a supermarket job or the dole doing that. I wanted to show the kids that even though it's hard, you still can manage things, and to go for it."

Eugene Ringdahl

NZ King Salmon Hospitality Scholarship recipient

Eugene Ringdahl already had a few years of cooking experience under his apron when he decided it was time to extend his knowledge and continue his learning. Eugene also works as chef de partie at The Tides Restaurant in Nelson.

Left to right: Grant Rosewarne, David, Eugene (front), Ruby, Jemma McCowan, Raylene and Chris after the NMIT scholarship ceremony.

HEALTH, SAFETY AND WELLNESS

Our approach to health, safety and wellness is a critical part of our daily work, as well as our longer-term thinking, as we believe that a healthy and safe workplace is all of our team's responsibility together.

Our health, safety and wellness strategy (HSW) is built around four key principles: accountability, engagement, performance, and systems and processes. This year, we implemented the following projects to align with our four principles.

OUR FOUR KEY HSW PRINCIPLES:

01 ACCOUNTABILITY

All our team members will have a clear understanding of their health, safety and wellness accountabilities through clarity of expectations and ongoing training.

OUR ACHIEVEMENTS THIS YEAR

July 2017 – June 2018

- Monthly internal audit completion rates increased by 75% when compared to the first quarter of 2017.*
- Contractors have been pre-qualified and moved towards the implementation of Rapid Global, an award-winning workplace health and safety software provider.

02 ENGAGEMENT

We will involve all our team members in our plans to improve our health, safety and wellness performance.

OUR ACHIEVEMENTS THIS YEAR

July 2017 – June 2018

- Bi-annual leadership and health and safety representatives' conferences.
- Engaged a new senior advisor in health safety and wellness.
- Expanded cross functional visits to include reps visiting other sites.
- 4 reps trained in Incident Cause Analysis Method (ICAM) investigation techniques.

03 PERFORMANCE

We will actively look to recognise positive health, safety and wellness behaviours and will challenge any team member who fails to set the highest personal standards of health and safety performance, while continuing to improve equipment and infrastructure.

OUR ACHIEVEMENTS THIS YEAR

July 2017 – June 2018

- Stop smoking seminar held for Processing employees.
- Flu vaccination take-up almost doubled with 150 carried out this year, compared to 88 last year.
- Asbestos management survey and management plans completed.
- Seismic assessments completed for all sites.
- New electronic pallet jacks ordered for Tory Channel barges that provide back rest protection for the operator and are rated to take the correct weight of feed bags.
- Fire reviews completed for all factories.

04 SYSTEMS & PROCESSES

We will have systems and processes that manage risk in the workplace. We commit to design and engineer high-risk activities out of our business wherever possible.

OUR ACHIEVEMENTS THIS YEAR

July 2017 – June 2018

- Continually improving I-safe functionality and near miss reporting staying high.
- Water blaster process.
- Winch safety.
- Lone worker safety.
- Lifejackets/water guard rails.
- Traffic management plans created for Beatty and Bullen Street sites.
- Ice tower identified as a confined space, new equipment and processes in place to help manage risk.
- Winch design and process improvements.

*Monthly internal audit completion rates increased by 75% in Q4, compared to similar period last year (Apr–Jun)

STAYING SAFE AT WORK

We continue to monitor the headline measure of Lost Time Injury Frequency Ratio (LITFR). This year, the LTIFR remained at a similar level to previous years at 18.1. However, we continue to incur less serious LTIs such as slips, trips and manual handling injuries, that result in less time off work for our team members. This is displayed by our new severity indicator measure (average number of days lost from LTI) which continues to drop – from 10.0 to 5.1 over the course of the year.

During the financial year we had two notifiable incidents reported to Worksafe, one involving a water blaster fire that fortunately did not result in any significant injury. The second notifiable incident resulted in a finger injury at one of our sea farms. While using a winch, one of our team members had their finger pulled through, partially severing his little finger. The finger was reattached successfully and the team member returned initially on light duties to upskill and train, and he is now back working on full duties as a valued team member. We conducted a thorough post-incident investigation which has resulted in the current roll out stage of what we believe is the only guarded winch in the aquaculture industry.

Frequency rates for near miss notifications remained strong at 998 in the year, whilst absenteeism continued to improve. Our absenteeism for FY18 was 2.84%, down from 3.18% in FY17.

We are proud to report a 20% discount on our ACC levies (improved from last year). In FY18, ACC moved away from its traditional audit to a performance-based system. This has shown NZKS to have outperformed our peers within the industry, whilst the aquaculture industry itself has also exceeded other comparable industries.

	New Zealand King Salmon	Industry Peer Group
Risk Management Rate*	0.24	0.5
Rehabilitation Rate**	15.37	32.33

ADDRESSING CRITICAL RISK

We have identified six critical risks in our business. This focus on our critical risks is in line with Worksafe and ACC thinking and we will investigate further the potential of the Safe+ audit tool as a way to measure our performance.

This year we took the following improvement actions:

Maritime Operations

- Refresher training for skippers.
- Life jacket retesting for self-righting.
- Purchase of Remote Operated Vehicles (ROVs) to reduce deep diving activity.

Fire, Electricity and Natural Events

- Lone worker device trials completed in our Takaka freshwater facility, the Bullen Street factory, and our sea farms.
- Updated process for refuelling water blasters.
- Development of emergency response plans for sea farms in conjunction with Helicopter Rescue.
- Seismic surveys completed, with improvements required in our freshwater facilities.

Heights and Lifting

- Working at heights training for Coldstore team.
- Harvest lifting mechanisms (winches) policy and process reviewed and updated.
- Barge lifting mechanism for feed hatches reviewed and updated.
- Installation of lifting devices and roof anchors in cold smoked facility.
- Regular reinforcement of two-person lift and lifting technique with factory team members.

Confined Spaces

- Installation of Davit crane for factory ice tower.
- Gas detection installed on sea farm barges.

Mobile Plant and Equipment

- Forklift retender incorporated key operator training requirements and new technology to manage risk.
- Trialling removal of forklift from harvest vessel.
- Reviewing truck loading process.

Construction Activity

- Review of lock-out tag out completed in Bullen Street factory.
- Asbestos management plan and register created.

*Number of qualifying claims with medical costs greater than $500 (or fatal claims) per $1 million liable earnings in the LRG
**Rehabilitation rate: Number of weekly compensation days for qualifying claims per $1 million liable earnings in the LRG)

OUR ENVIRONMENT

Caring for our environment is crucial to our salmon's well-being, and to protect our community's natural resources. Our operations across the entire supply chain have an impact on the environment, which we aim to minimise.

INCREASED TRANSPARENCY

Our company aims to be honest and transparent, and we continually look for better ways to deliver open information about our activities. Consumers have an increasing interest in understanding more about the producers of the food they choose. There is a growing desire for safe food which has been produced ethically and with care for the environment. We strive to go beyond compliance, aiming instead for best practice.

Independent monitoring of our salmon farms is carried out by the Cawthron Institute. A report is available for each farm on the biochemical and biological state of the seabed, and the nutrient status of the water column around the farm. Copper and zinc levels are also measured. Seabed impact is one of the most common concerns, and we have prioritised information on this topic. The state of the seabed is assigned an enrichment score (ES) by Cawthron[1]. We have committed to the agreed standard of the Best Management Practice (BMP) threshold of ES5.

A video showing footage from the seabed in Waitata Reach in 2011 (before our salmon farm was placed there) and from December 2017, is now available on our website. Stills opposite show the ES score assigned by Cawthron for a similar period. They show the life under the seafloor including blue and green shell mussels, scallops and burrow holes where crustaceans have hidden.

Our team members now routinely deploy Remote Operated Vehicles under our marine farms to monitor the benthic (seabed) and this footage will be uploaded to our website in future.

ACHIEVING BEST MANAGEMENT PRACTICES IN OUR REGION

The 2014 'Best Management Practice (BMP) guidelines for salmon farms in the Marlborough Sounds – Benthic' have already been incorporated at a number of our farm sites. A review of the Benthic standards was carried out earlier this year to ensure they are aligned with latest knowledge.

This year we have incorporated the BMP guidelines in our most recent resource consent at Te Pangu, and we are committed to implementing them across all of our remaining sites.

Working with a range of scientists and community stakeholders, we have now begun to develop the 'Best Management Practice guidelines – Water Quality' for salmon farms in the Marlborough Sounds. These are expected to be complete by the end of 2018 and will then be implemented on all our farms. We already actively contribute to Marlborough District Council-coordinated Sounds-wide monitoring.

MARINE WILDLIFE

Our company is a member of the King Shag working group. The King Shag is an endangered species only found in small numbers in the outer Marlborough Sounds. Unfortunately, a count carried out in February this year showed a 24% decline in bird numbers since 2015. Counts by the Department of Conservation have shown a similar decline.

There is a significant element of uncertainty as to the reasons for this year's dramatic decline in numbers for what appears to have been a relatively long-term stable population. What we do know is that there have been no dramatic changes in our operations which could have contributed to the decline and this is not in dispute. There have been two severe weather events - cyclones Fehi and Gita and they may be involved. In cooperation with the working group we intend to work toward a greater understanding of this species.

Seal interactions are managed by the Department of Conservation under the Marine Mammals Protection Act 1978 and we require a permit to handle them. We take their safety very seriously and work hard to protect them.

Some sharks are also protected. Our interactions with sharks are minimal given the predator protection nets we have on our farms.

The Marine Mammal and Shark Management Plan and the King Shag Management Plan are both available on our company website.

Our company aims to be honest and transparent, and we remain committed to providing information about our activities.

[1] ES is the industry-accepted environmental quality standard providing environmental 'bottom lines' against which effects can be assessed.

WAITATA FARM SEABED

2011

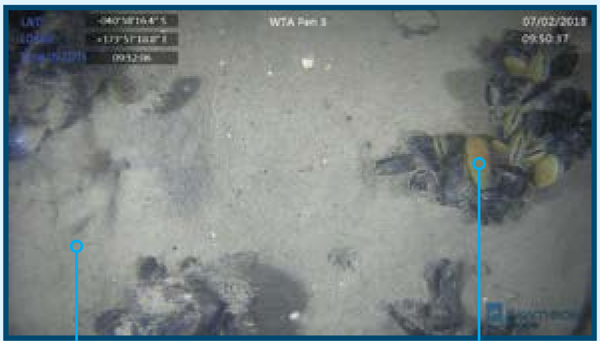
SEABED BEFORE FARM

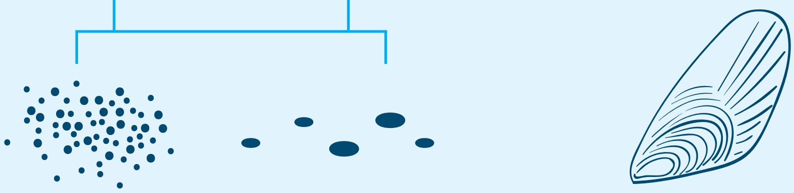
Estimated average ES score of 1.5-2.51.[1]

2018

SEABED AFTER FARM

Estimated average ES score of 3.3 at the edge of the net pens





Unfortunately much of the Marlborough Sounds has been damaged by human activity other than aquaculture (dredging, trawling and sedimentation).

SILT

Sites selected for salmon farming typically have seabeds composed of fine sand or clay, rather than reefs or other delicate ecosystems.

BURROW HOLES

Seabed habitats for crustaceans and other marine life.

GREENSHELL AND BLUE MUSSELS

***Māori Name:** kuku, kūtai*

***Scientific:** Perna canaliculus and Mytilus edulis aoteanus*

As filter feeders, mussels take all their nutrients from the seawater, and as a result, loose greenshell and blue mussels are frequently found under salmon farms. Blue mussels are abundant in New Zealand waters but not generally commercially harvested, whilst greenshell mussels are farmed.

FOUR IDEAS TO MANAGE ORGANIC MATTER

BIG IDEA

DNA

New Zealand King Salmon is supporting an investment in world-leading technology to assess the level of enrichment on the seabed, which will result in a simplified sampling regime and more rapid assessment.

Waste Capture

A project has been started to look at ways to capture fish waste before it reaches the seabed. That work is ongoing and could potentially add significant benefits to the way lower flow sites can be farmed.

Remediation

A project led by the Cawthron Institute to trial a vacuum technique on the seabed under lower flow salmon farms is proposed and is currently going through a consenting process.

Waste Utilisation

Once waste is captured, end uses for the recovered waste will be required, perhaps as fertiliser. An application has been made to the Ministry for Environment's Waste Minimisation Fund for a project to explore potential end uses, which may result in additional funding over the company's current investment.

[1] Based on the estimated ES scores for areas of 'natural' seabed in the Marlborough Sounds (MPI 2015).


CONTRIBUTE TO REGIONAL ECONOMIC DEVELOPMENT

PARTICIPATE IN FLAGSHIP LOCAL FOOD AND WINE EVENTS

We're all about here.

Our commitment in the community is to:


PRODUCE THE WORLD'S FINEST SALMON AND MAKE OUR COMMUNITY PROUD


BE A GOOD NEIGHBOUR AND COMMUNITY PARTNER

DELIGHT CONSUMERS WITH KING SALMON EXPERIENCES


BUILD CONSTRUCTIVE PARTNERSHIPS WITH IWI AND LOCAL SUPPLIERS

SUPPORT YOUTH DEVELOPMENT TO IMPROVE LIFE IN THE COMMUNITY

OUR COMMUNITY

We believe engaging proactively and positively with our community is crucial. We're proud of our home in the Top of the South, and we want to make it even better.

We work hard to be well-regarded and respected in the community. Although we're a global business, it's important to us we remain local too. Contributing to the region – and being collaborative and communicative here – is a part of our DNA.

We are proud of the role we play in the regional economy of the Top of the South. Salmon farming has an 'economic multiplier' effect – it creates work and income for employees, as well as a raft of local suppliers. We regularly host VIPs in the region and make sure they see the best the region has to offer.

We now have over 375 shareholders amongst Top of the South residents and this year we employed our first full-time sponsorships & events coordinator, based in the Picton office.

In November 2017, we held our first Annual Shareholder Meeting (ASM) in Blenheim which was followed by a dinner celebrating our story through food. This event was held at acclaimed Marlborough restaurant, Arbour, where shareholders joined Board members and senior management for a degustation dinner, raising funds for the Graeme Dingle Foundation locally.

SPONSORSHIP AND EVENTS

We support many community organisations, charities and events, with financial and product sponsorship in Marlborough, Nelson, Golden Bay and Canterbury.

Environmental and Conservation

We are involved in an increasing number of environmental-based initiatives that fit with our sustainability ethos in partnership with organisations such as the Kaipupu Wildlife Sanctuary and the Mistletoe Bay Foundation.

We also ran our popular 'Sounds, Salmon and Songbirds' tours for the third consecutive year with Marlborough Tour Company and Kaipupu Wildlife Sanctuary, giving guests a unique experience in the Sounds.

Education and Youth

We also contribute to projects which support youth development and education. These include the Graeme Dingle Foundation KiwiCan Programme, focused on the Picton and Waikawa Bay primary schools; the Bring Your Own Device (BYOD) scheme at Marlborough Girls College; the premier Marlborough Girls College and Golden Bay High School netball teams for their 2017 winter season; and the Marlborough Boys College first XV rugby team.

We work with schools around the region with educational visits, in-classroom aquariums and prize giving support as well as a year-round programme with Nelson Marlborough Institute of Technology.

At the beginning of 2018, we worked with the Environmental Sustainability Class from Marlborough Girls College to help them better understand salmon farming in the Marlborough Sounds, including a class field trip to visit a farm and meet our team.

We also have a Salmon Education Kit which is publicly available online and in hard copy for all schools to utilise in lesson planning.

Other Commitments

We have supported disadvantaged groups in Nelson/Tasman through the Fifeshire Foundation for a number of years. We also support education about our industry and the promotion of food tourism in the Marlborough region as a strategic partner with Destination Marlborough.

We provide support to several key business and industry groups, including sponsorship of the Marlborough Chamber of Commerce (MCOC) Business Awards, the Nelson Business Awards, the Aquaculture New Zealand Conference, local Institute of Directors' events and the Nelson Hospitality Awards.

Local Events

Each year we participate in a number of key events in the Marlborough region, including the Marlborough Wine & Food Festival, the Picton Maritime Festival, the Havelock Mussel Festival and Feast Marlborough. At the larger events, we often provide a celebrity chef to demonstrate salmon recipes. At the 2018 Marlborough Wine & Food Festival, we had Annabelle White cook up a storm and Al Brown joined us for Feast Marlborough's Friday Night Feast. We also use these events as a great opportunity to showcase our processing team's filleting and pin-boning skills, often encouraging the crowd to get involved as well.

In September, we opened the doors to the public on our newly commissioned state-of-the-art feed and accommodation barge for the Waitata salmon farm in the Pelorus Sound. A naming ceremony and blessing was conducted by local Te Atiawa iwi with the barge named 'Paerangi' – meaning 'new horizons'.

Completed in Picton by local contractor, Cuddon Ltd, the barge is built to blend in with the local environment with muted camouflage colours and a nautical-style look. In addition to delivering the required feed to grow the salmon, it also provides accommodation and facilities for team members.

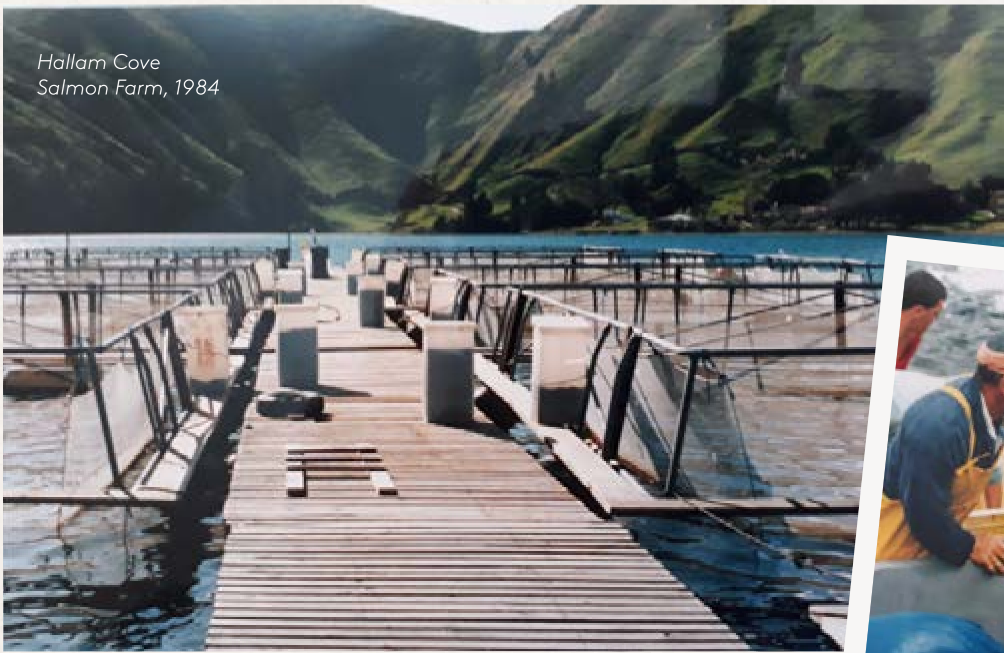
WORKING WITH IWI

We strive to have good relationships with Te Tau Ihu (Top of the South) iwi. We collaborate with iwi on a variety of strategic partnerships and projects, sometimes with formal agreements, and other times on an informal basis.

A delegation of iwi representatives accompanied a group to the AquaVision conference in Norway in June.

FROM EGG TO PLATE

Our operations encompass the life cycle of the King salmon and culminate in delivering the highest quality salmon products to consumers and chefs around the world.



Hallam Cove
Salmon Farm, 1984

First harvest from Hallam Cove in the 1980s

MEET ONE OF OUR PIONEERS

MARK GILLARD

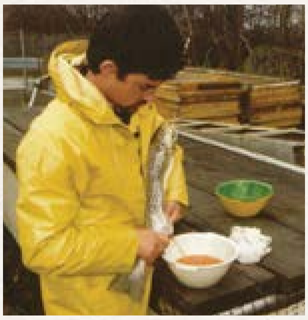
Since pre-school, I have always been interested in collecting, looking after and breeding things, especially fish. On completing my degree in Zoology in the early 1970s, I went to work in the wild eel fishery for 6 years.

One day I noticed an ad in the paper for someone to manage an ocean ranching salmon operation on the Clutha River. I applied and never looked back. I'm not sure that my wife Heather knew what she was getting herself in to.

The role turned out to be a dream job: leading edge, independent and with a requirement to get on with everyone including the local anglers. Eventually I had anglers giving me their prized salmon for use as broodstock. The small hatchery I built with the expectation that it would last for only a few years is still going today and is now owned by Sanford.

From there, I relocated to the Marlborough Sounds to take over a pilot-scale salmon farm in Hallam Cove in 1985. The Hallam Cove farms were moved out to Bulwer (Waihinau) in 1989, then Forsyth and Port Ligar. I was responsible for the design and build of those farms and for a small hatchery on the banks of the Onamalutu Stream in Marlborough. That small hatchery was where our NZKS breeding programme began.

The company then merged with the freshwater farm at Takaka to form Southern Ocean Seafoods and I moved to the head office in Nelson in 1994. I have carried out a range of roles and now look after maintaining and growing our security of tenure mainly in our seawater aquaculture operations.



Mark harvesting salmon eggs, 1980

Mark at Waitata farm, 2018

"I'm not sure any other industry can match the opportunity for such a career."

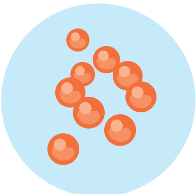
My wife and I have lived on a 30ha block one hour south of Nelson growing cattle and sheep for over 16 years. I have travelled to all of the major salmon producing countries attending various conferences and meetings around the world. I have been involved in the NZ Salmon Farmers' Association since its inception in the 70s and was Chair for over 17 years, as well as a founding board member at Aquaculture NZ.

I have represented aquaculture in one way or another since my days in Kaitangata, both in company operations and industry governance. My tenure within the aquaculture industry is now over 39 years and I am learning as much now as when I first started - I'm not sure any other industry can match the opportunity for such a career.

KEY OPERATIONAL ACHIEVEMENTS

We have an ongoing commitment in our freshwater, seawater, processing and supply chain operations to enhance our expertise, capability and infrastructure, whilst managing key risks.

CEO Grant Rosewarne hoists a 15 kilogram TYEE at the ASM dinner in November 2017



FRESHWATER

We operate three freshwater facilities for broodstock, smolt and as risk mitigation.

This year, in addition to our Takaka team managing the longest established commercial selective breeding programme for King salmon in the world, our Tentburn team provided the seawater farms with nearly three million smolt for growout. These achievements were complemented by another milestone – with the launch of our ground-breaking Ōra King TYEE grown and harvested at our Takaka facility.

Over a one-month period in April/May, nearly one million of our smolt were immunised in freshwater before transfer to sea, giving them the greatest opportunity to maintain robust health in the more challenging seawater environment.

Smolt transfer from our Tentburn and Waiau freshwater facilities to seawater takes place between October and July to ensure a year-round supply of salmon at an optimum size. The smolt average 100 – 150 grams at the time of transfer. Various transfers are made to our Te Pangu, Clay Point, Kopaua, Ruakaka and Waihinau farms over this period, with larger fish transferred to the remainder of farms after a period of seawater grow out.

Over the last 12 months, 37 Ōra King TYEE have been supplied to international customers from our Takaka freshwater facility, at a minimum weight of 13.6kg (30 pounds). Our largest TYEE tipped the scales at 15.8kg! As large King salmon, TYEE are tricky fish to grow and absolutely deserve their "natural wonder" tag. Our freshwater team is continually improving production methods and gaining a better understanding of the behaviour and potential of this unique fish.

Infastructure projects underway in our freshwater facilities include improving temperature control at the Takaka incubation facility, particularly over the summer period, but also to improve the regulation of time of hatch. Our Tentburn hatchery will benefit from improved load-out facilities for a quality smolt transfer result.

Reconfirming Our Unique Breed

Our freshwater classical breeding programme has been in place for more than 25 years, and delivers the critical scientific rigour to our Ōra King breed and brand story. This year, we partnered with our independent genetic and aquaculture breeding advisors, Xelect, to re-confirm the unique traits of our Ōra King salmon breed. Using state of the art molecular genetics tools, Xelect was able to accurately and reliably distinguish our breed from other King salmon strains on the commercial market to confirm that the strain of fish produced by NZKS is truly genetically unique and can be designated a "Unique Breed". This information protects the integrity of the brand and should discourage attempts at false marketing.

SEAWATER

Following transfer from freshwater, salmon are grown for up to 18 months in one of our seawater farms.

Fish performance in the first half of the year was very promising, however this year's record-breaking summer temperatures were extremely challenging for many farmers, whether land or sea. Our farming teams worked extremely hard to mitigate the impact, but with above-average water temperatures in the Pelorus Sound, we did experience heightened fish health and mortality issues, with the warm water impairing the natural immune response of the fish, leaving some of them susceptible to illness.

We implemented management measures including changes to harvest timing to reduce fish numbers on the more affected sites, and constant net cleaning activity to ensure that the fish had the best possible conditions in terms of flow and oxygen availability. Longer term measures include obtaining higher flow, colder waters, building warm weather resistance into our breeding program, ongoing diet improvements, and immunising our smolt at the freshwater stage.

The larger smolt grown in freshwater have resulted in very positive production results, reducing the cycle time required in the seawater phase and delivering excellent growth and fish quality at harvest.

Regarding infrastructure projects, a state of the art 172-tonne barge was completed with local engineering firm, Cuddon Ltd. The barge is equipped with an automatic feeding system and can carry about 240 tonnes of fish feed to supply our Waitata sea farm.

We have commenced the capacity upgrade and expansion in the Pelorus farms (Waitata and Kopāua), following the successful completion of three years of positive environmental results at our new farms.

The final phase of expansion will be the Ngamahau farm development in the Tory Channel, due for completion in early 2019 with local supplier Cuddon Ltd, which will see additional pen space installed.

The farm improvement projects are benefiting from more centralised project co-ordination and the appointment of specialist Project Managers, as well as ensuring that we capture the full operational value in the shortest interval possible.

Security of Tenure

Our 35-year sea farm consents at Ngamahau, Waitata and Kopāua are about to reach the three-year point at which incremental volumes can be implemented subject to compliance with consent conditions. There will be an increase in discharge of 1,000 metric tonnes of feed for Waitata during 2019, with the other two farms increased by 500 metric tonnes during 2020. Meanwhile, a plan change and resource consent application is underway at Te Pangu which would allow the farm to be moved closer to the main channel, siting it in a more optimum, high-flow location.

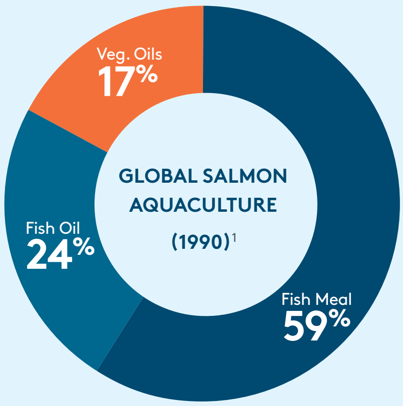
Our greatest constraint to growth is the availability of suitable seawater space in New Zealand. In addition to the MPI Farm Relocation Process, we are contributing to the Marlborough Environment Plan (MEP) review process, which we understand will use the outcome of the site relocation process to help inform its policies and rules. MPI has been working with DoC and MfE on the National Environmental Standard (NES) for marine aquaculture to incorporate changes based on submissions and feedback, and amendments have already been made to a number of proposed policies. A cost-benefit analysis is being carried out with a recommendation expected to be provided to Cabinet early in 2019. All our marine farms have a Biosecurity Management Plan (BioMP) and we are also working with the Government to produce a standardised industry BioMP.

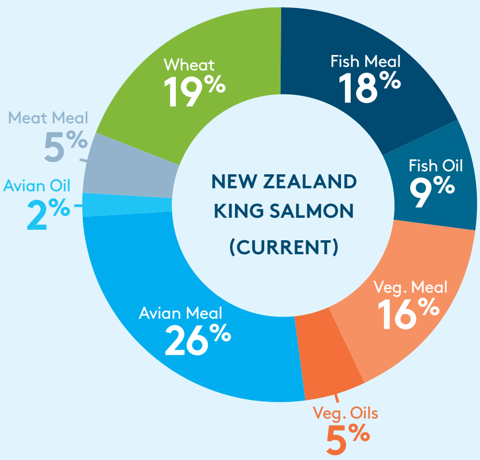
Feed Research Update

In 2015, a four-year $5.2 million research programme with the Cawthron Institute, Seafood Innovations Ltd (SIL) and salmon feed companies, was undertaken, to ascertain the optimal diet for our salmon. This year (year three), a series of trials were conducted to enable us to develop new salmon feed commercially. These trials have increased the energy in the fish diet resulting in the same fish growth for less food and less nitrogenous discharge and/or effluent. In the next financial year (FY19) the focus will be on determining digestible protein and energy levels for diets fed at various life stages. The findings from this research will be trialled in our seafarms in FY19/FY20 with commercialisation into production thereafter.

COMPONENTS OF FEED

Percentages are approximate and based on our most commonly used feed type.





[1] Source: Marine Harvest - Salmon Industry handbook 2016.

FISH WELFARE

Our salmon are treated to the highest standards of care, with fish health and wellness a priority

As a company, we take fish welfare very seriously, and we strive to keep our salmon healthy and well cared for.

This year, we have invested significantly in our fish welfare team and associated operational activities to cater for the specific biology and husbandry needs of our King salmon, and to provide the highest standards of care.

The focus of our fish welfare team is to continually monitor the welfare and condition of our salmon to help them cope with emerging or existing challenges to wellness. Most recently we introduced routine immunisation programmes for our juveniles in freshwater to protect them against the naturally occurring micro-organisms that they will encounter in seawater.

HARVEST

Salmon are humanely harvested at sea and transferred back to our processing facilities in Nelson on the same day.

This year, a decision was made, in accordance with international best practice, to transfer the harvest function to the quality team, acknowledging the critical part that harvest plays in the resultant quality within the factory. This move will help us stay connected across multiple locations and teams, with the goal of implementing pre-rigor primary processing, and flow-on improvements in texture and minimal blood retention.

Since moving to a pump method last year, the harvest team has seen a steady improvement in quality. A consultant has been brought on board to further embed our harvesting system and to look into the next generation of harvesting as our numbers and fish size increases.

A specialist has also been recruited to help improve the pneumatics for our stunners which are critical for animal welfare and quality. Trials are being carried out to understand the rigor curve to pinpoint optimal processing times, plus we've brought on board a second barge to get our fish to plant quickly.

Quality remains a priority focus in delivering brand value to our customers.

PROCESSING

Salmon are weighed, gilled and gutted. Depending on final use, further processing can take place, such as filleting, portioning or smoking.

The increased demand for value-added products has triggered investment in improved slicing technology and equipment to increase throughput and capacity in our smoked salmon factories.

At the end of FY18, we installed a new kiln for our Ready to Eat (RTE) Cold Smoke factory. Amongst many benefits, it will help to deliver a shorter smoking time and a more consistent smoke quality. It is environmentally friendly with low energy costs, since no reheating is required. Our engineering team delivered in time and under budget.

Hygiene in the factories is a critical food safety factor and improves shelf life and customer satisfaction. We are engineering food safety and quality into equipment selection and process design to ensure that we can increase capacity without compromising quality and hygiene standards. Project management and learning from the world's best are two of the initiatives rolled out this year to further improve our capability. Our processing department now has a dedicated project management and process development expert and a food safety team that are motivated and committed to best practice.

In general, we are aiming for best practice energy and water management across our factories, through increased monthly reporting and a dedicated team developing priority energy saving projects.

Quality

Quality remains a priority focus in delivering brand value to our customers. Texture is a key quality indicator and we have recently invested in equipment to better understand what happens to the texture of our fish through the processing and supply chain. Understanding this will help to further improve quality and also to link results with feed and husbandry decisions. Microbiology research is helping us improve the shelf life of our products whilst maintaining safety and high quality. We are also investigating new freezing technologies and chilled storage to further enhance our quality.

SUPPLY CHAIN

Includes production planning, logistics, coldstore and pick 'n' pack/dispatch teams, procurement, customer services, ICT and project management.

Our production planning, procurement, customer services, logistics, coldstore and pick 'n' pack teams ensure our salmon products get to customers when required, while our ICT and project management teams ensure we have the right technology and systems in place to deliver year-round.

Delivering a great final product safely to our consumers and chefs means taking care of quality throughout the supply chain. We do this through a range of food safety and quality controls, as well as core ICT and project management programs, and the smart and thoughtful use of packaging. We are also striving to reduce our carbon footprint by utilising many of the new direct airline routes that have opened up e.g. Houston and Chicago. Negotiating company-wide contracts for major consumables and services is also critical to ensuring quality, cost-effective solutions that meet our business needs.

Tenders

Three key service contracts negotiated this year were for our forklifts, laundry and the Omega Plus packaging range.

We focused on the needs of key forklift operators, so that the chosen supplier delivered health and safety training, compliant clothing and met the quality standards reflecting our market position. On-board performance was a non-negotiable, improving health and safety of drivers and pedestrians. These systems allow us to reward good driver behaviour and reduce operating costs.

Sustainability was a key focus for the laundry tender. We sought better performing garments with a focus on end-of-life use of garments, as well as ensuring traceability of process to ensure food safety standards are always met.

With the Omega Plus packaging range, we worked to ensure this high-spec product could be produced at an affordable price, as well as adding a second approved pouch supplier to our stable of packaging suppliers.

IT Upgrades

Over the last 12 months the ICT team has been focused on improving performance, security and efficiency across the business. Key projects include:

- **Client Compute Platform Upgrade (CCPU)**
  Delivering the latest version of the Microsoft Office Suite to all computer users to ensure that everyone has a secure feature-rich set of tools to meet their work requirements.
- **Enterprise Resource Planning (Stage 1 Innova)**
  Installing Innova as our Manufacturing Execution System (MES) across all factories set the platform for greater factory efficiencies, ensuring we obtain the maximum performance benefits from our specialised factory hardware. Innova is one of the most sophisticated integrated systems in the world, establishing our company at the forefront of New Zealand food manufacturing.
- **Enterprise Resource Planning (Stage 2 NAV)**
  Replacement of our Core Financial System (M3) with Microsoft Dynamic NAV is a substantial project and impacts every area of the business. Although this project has not been fully deployed, it is well underway. NAV will improve our ability to plan, forecast and deliver to our customers by providing relevant information to all team members to make better business decisions.
- **Internet Services Review**
  With our continued use of cloud-based hosted services our reliance on quality internet services increases. This project doubled the capacity of our existing services to meet our current and future needs and introduced automatic failover to a secondary location to ensure business continuity is maintained in the case of a localised event or natural disaster.

Project Management

Our project management office (PMO) has now been in operation for a full financial year. The three key focus areas have been a) raising the basic level of project management awareness, b) introducing tools to effectively operate multi-sized change activities, and c) developing a monthly governance and reporting culture for the 30 largest projects.

A programme manager responsible for overall project visibility and outcomes has been joined by 3 dedicated project managers in the business.

Regular project reviews, improved project communication, and authorisation at key steps in project life-cycles are features of the new approach. 2019 will reinforce the new approach with further training and support, as well as an overall program and portfolio prioritisation.

MANAGING KEY PROJECTS WELL

30 TOTAL PROJECTS

19 TRAINING SESSIONS

65 ACTIVE PROJECT MANAGEMENT USERS

OMEGA INNOVATIONS

Utilising our by-products to minimise waste, whilst creating innovative products to meet a gap in the market.

Three years ago, the Omega Innovations division was established with the specific task of reviewing by-products generated and seeking out high-value products that would utilise these materials. The division now comprises four full time team members including a division manager, a national sales manager, production coordinator and project manager.

Since then, we have made some fundamental changes to our by-product and offal management systems. Furthermore, we have identified products and industries where we see value for our business. We are currently investing in a project to convert leftover heads, frames, skins, and trimmings into a convenient large block for bulk supply to the pet food industry. The project will identify the equipment and freezing capacity upgrades required to commercialise such products.

We also continue to explore the opportunity for garden care and nutriceutical products based on the use of various by-products.

NEW PRODUCT DEVELOPMENT

Product development technologists collaborate with sales, marketing, operations, and our supply chain team to develop and launch innovative new products that suit our customers needs.

New product development is a critical element in our brand leadership program to keep our brands fresh and relevant. Our product development team has had a productive year working on over 100 projects with 40 Stock Keeping Units (SKUs) launched (includes chilled and frozen versions), delivering over $2.8 million gross margin.

In addition to the development of Ōra King TYEE and the Regal Manuka range, the team has worked on new glazes to add to the fresh serve-over range. International interest in our Regal smoked range has resulted in bespoke ranges, whilst fresh value-add products have also been developed for North American foodservice customers. We also collaborated with long-standing domestic customers to extend existing product offers in acknowledgment of evolving customer needs and cuisine trends.

Packaging choices have an impact on our commitment to using resources responsibly. We need to maintain a safe and well-presented product, whilst caring for the environment. In addition to a general push to reduce our packaging footprint, the team is also considering plant-based alternatives to plastic, and reducing polystyrene usage.

A VISION FOR THE FUTURE

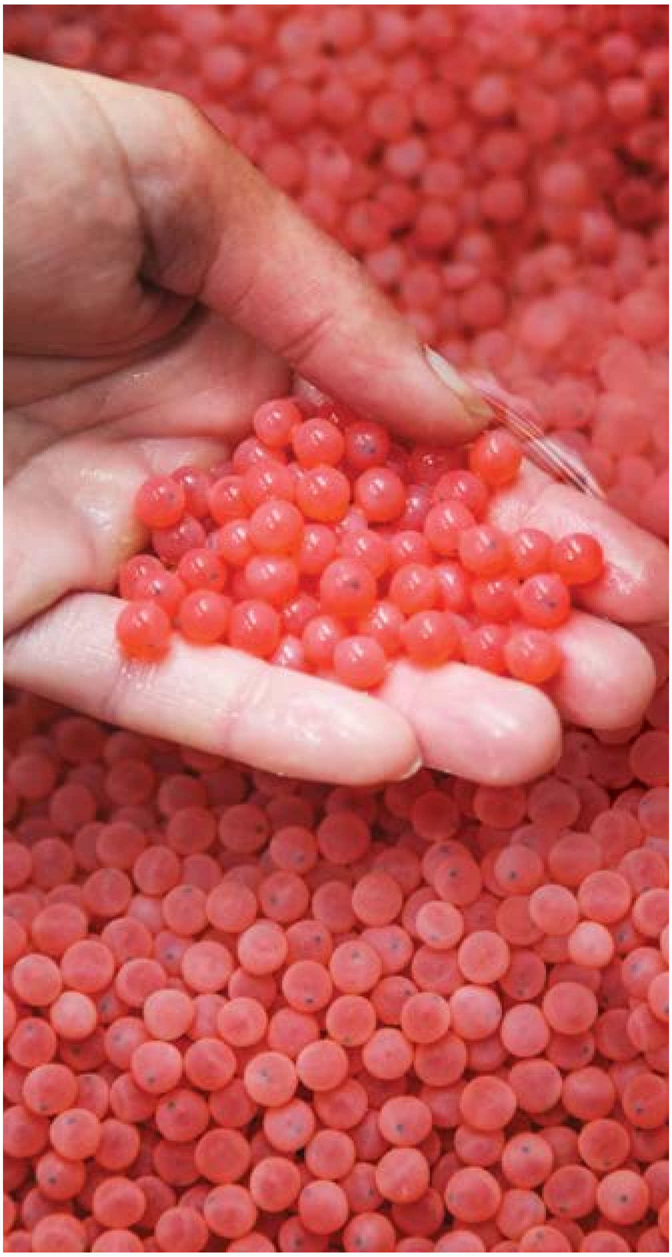
In June, we hosted a 25-strong delegation to this year's AquaVision conference in Stavanger, Norway. The event has established itself as the world's number one conference for the aquaculture industry. Every second year, top decision makers gather in Stavanger to discuss aquaculture as it relates to public policy, and to learn about exciting new technologies which will ideally position aquaculture to help feed a growing planet while decreasing the environmental footprint of food production.

AquaVision 2018 and the associated field trips in Norway were the ideal opportunity for the delegation to hear first-hand about the potential for growth and the associated challenges faced by companies, and independently assess what the future for a sustainable, high-value and healthy protein industry could look like in regional New Zealand. Our delegation included senior members from five different iwi, local and central government representatives, environmental NGOs, media, and industry groups.

Norway provides an excellent example of how salmon farming has developed successfully. Norway is a comparable size to New Zealand with regards to land mass and population (land mass 20.8% bigger; population 9.3% bigger), however when it comes to quality infrastructure and many positive societal measures, it tends to rank at the top of the OECD countries, whereas New Zealand is generally positioned further down the ranking. Norway, with its renowned high standards, already has a salmon and trout industry almost 100 times our size, with a plan to move to 400 times our size by 2050. In fact, Norway is replacing its number one industry – oil and gas, with exports valued at over NZ$70 billion – with their sustainable wild fishery and salmon aquaculture.

BIG IDEA

Aquaculture is already the world's fastest growing food production industry and is one of the most efficient forms of food production, making it a sustainable solution to feeding our planet. Being a part of this blue revolution is important to our company.



REGAL
MARLBOROUGH
KING SALMON

STRONG BRANDS

Our premium brands tell the story behind our products to our core groups of customers - discerning chefs, consumers, retailers and wholesalers, both here in New Zealand and worldwide.

Ōra King Awards 2017
Best Dish Australia
by Chris Bonello

OUR BRANDS

Our premium brands position our salmon products in a variety of high value customer segments, with in-depth, engaging stories.

New Zealand King Salmon

The New Zealand King Salmon brand is our corporate brand. The brand represents our business as a whole, expressing our vision, purpose, values and culture.

We also communicate with our varied stakeholder groups through our corporate brand, including our shareholders, our community, our suppliers, partners and customers.

In all our brand activities, opportunities for more personal engagement serve us best. Our first annual report brought to life our story, through our people, our environment and our product. More informal activities also proved valuable - such as the post-Annual Shareholders Meeting dinner and Investor Open Day. These activities added a personal, creative touch to our investor relations, but also gathered investor feedback one-on-one.

We have also focused on sustainability and community-specific communications work this year, as well as a proactive communications program around the benefits of aquaculture and the positive future for aquaculture in NZ.

Our approach to communicating with investors was recognised this year when we were announced as the winner of the NZX Emerging Leaders Best Investor Relations Award at the 2018 INFINZ (Institute of Finance Professionals NZ Inc) Awards. We were proud that the judges referred to NZ King Salmon as "a leading light in the NZ market when it comes to disclosure and transparency".

Analysts and investors commented that management are generous with their time, key operational metrics are provided to the market and our environmental, social and governance reporting is very comprehensive.

ŌRA KING™

Ōra King is our unique breed of King salmon, designed for culinary excellence. Focused on the premium food service channel, Ōra King is proudly featured on the menus of more than 1,200 premium dining restaurants worldwide.

This year, the Ōra King creative team, including our partners at Downing Creative Marketing, were lauded for various design projects, including awards for the Ōra King business cards, and the Ōra King Awards invitation design.

Our flagship campaign - the Ōra King Awards – celebrated its fifth year as an industry competition offering chefs the chance to create a special dish using our stunning Ōra King salmon as the hero ingredient. The Awards ceremony for 2017 was held in Tokyo to commemorate the first year of participation from leading Japanese chefs.

To fit the theme, chefs were asked to create a dish with a Japanese twist. After an initial selection round, the final contenders were then independently judged by a panel of leading food experts. With over 300 chefs entering from our four largest markets, the 2017 Awards were our most successful to date.

The finalists and Best Ōra King Ambassadors from New Zealand, Australia and North America were flown to Tokyo to join Japanese chefs for the Awards ceremony. A gastronomic tour of Japan included the famed tuna auction at the world's largest seafood market, Tsukiji Market, meals at world-renowned restaurants and visits to traditional artisan producers. The Japanese finalists were flown to New Zealand for an equivalent gastronomic tour as well as the opportunity to experience first-hand how our best-of-breed Ōra King salmon is grown.

The 6th Annual Ōra King Awards for 2018 were launched in June with the theme "Inspired by Art".

Ōra King Awards Best Dish North America winner, Travis Swikard of Boulud Sud, New York City

ŌRA KING BEST DISH WINNERS 2017:

Marc Soper

Wharekauhau Country Estate, Wairarapa, New Zealand

Yosuke Kanai

Fleuve, Hotel Granvia, Osaka, Japan

Travis Swikard

Boulud Sud, New York City, USA

Christopher Bonello

MPD Steak Kitchen, Melbourne, Australia

"We saw the theme expressed in the use of Japanese ingredients produced in New Zealand, such as wasabi, fresh yuzu and sake, in classical dishes reinterpreted, and in seasonal, regional and historical ideas."

—— *Geoff Scott, Judge*

GETTING ŌRA KING ON THE MENU

An integral part of our strategy is achieving brand recognition on the menu at premium restaurants using Ōra King. As a result, chefs and front of house staff can pass on the story of Ōra King, and diners are then encouraged to seek out Ōra King by name, achieving greater depth in brand story and greater loyalty of customer.

This year, we achieved another step in securing approximately 350 new restaurants with Ōra King listed on the menu – with one stand-out achievement in Australia in a five-star hotel from a significant international hotel banner group. Ōra King now features on the menu at this hotel's award-winning flagship restaurant. With dishes on four set menu options, alongside bluefin tuna and other high-value seafood, this customer is now a high-volume user, consuming around 100 kilograms (20 fish) per week. This example represents an optimal scenario for linking brand with sales outcomes in a restaurant environment. The customer had previously purchased Australian Atlantic salmon, but has now recognised the unique culinary characteristics of Ōra King for its menu.

Ōra King Awards 2017 NZ Finalists Makoto Tokuyama, Marc Soper and Mark McAllister in Tokyo

ŌRA KING

TYEE

It is said, that in the old days the ocean felt empty.

So she filled herself with life, and named the salmon her kings.

She hid a portion of these salmon. In dark places she grew them — where other fish fear to wander. She named these few Tyee, and set them apart to be kings among kings.

No two Tyee are alike. They have wrestled their way to the top. Their fins may bear the scars of a life truly lived, the remnants of frays won, and lost.

Tyee are rare among salmon. No less than 30 pounds in imperial weight, these salmon are giants — leviathans that will sear themselves in your mind for years to come.

One of the highlights of the year was the launch of a world-first innovation - the Ōra King TYEE. This prized product has been made available in limited quantities to a fortunate few discerning chefs and diners worldwide.

The legendary Tyee salmon, caught in the Campbell River of British Columbia since 1924, is famed in the wild for its size and rarity. Our long-standing breeding program can now deliver Ōra King TYEE, a unique King salmon that grows to more than double the size of an Ōra King salmon - over 13 kilograms.

Unique characteristics of the Ōra King breed combined with the ideal farming environment have enabled these salmon to grow to such an incredible size.

With less than 10 fish available for sale each month, all individually harvested and tagged with identification numbers, an exclusive group of chefs have experienced Ōra King TYEE and have remarked on its delicate flavour, distinctive 'bite', and clean, herbaceous palate.

Aaron Ballantyne and Kevin Hopgood of Hopgood's & Co., Nelson

"The pure size of the fish made such a statement in our kitchen. The Ōra King TYEE surpassed all expectations, deeply marbled yet firm, this fish ate like no other."

—— *Chef Nathan Gould, Boston*

Ōra King TYEE steak by chef Nathan Gould.

REGAL

MARLBOROUGH KING SALMON

With over 25 years of leadership in the salmon category in New Zealand, Regal is our premium retail brand. We finished the year with a 45% market share[1], despite increased competition from Atlantic salmon. In addition, our brand awareness has increased from 85% to 90%[2] amongst smoked salmon shoppers in New Zealand.

Our major new product launch this year - the Regal Manuka range in September 2017 - has proven successful, with excellent consumer and trade feedback. The Regal Double Manuka Wood Roasted 200g product has been a particular success story.

We also rolled-out a packaging renovation across the Regal range to increase the brand presence in store, reinforcing the brand story and premium positioning. Our sustainability credentials have been moved to the front of each pack to emphasise the credibility of our producer story.

Achieving brand clarity in the fresh serve-over is an ongoing challenge, however this year we reached an agreement with a retail chain to incorporate Regal branding in the serve-over. Regal branded fish spikes will highlight the brand to shoppers demonstrating quality and local provenance. Achieving this branding equates to a 10% increase in branding penetration for our business.

In the USA, Regal has been successfully launched in a regional division of a major supermarket banner. Four cold smoked products are now present in 129 stores. The range is selling well, with positive feedback from the trade and consumers. Work is underway to expand distribution in the USA.

Total Regal branded sales for the last fiscal year are $28.9m with $3.3m coming from overseas markets - 11.6%. This represents established sales in Australia as our new markets have only just commenced.

Our Regal Consumer Panel now has over 1,000 members, and is a valuable tool for gauging consumer sentiment, usage and attitudes.

NIELSEN BRAND HEALTH KEY POINTS[2]

OVERALL, REGAL IS THE LEADER IN THE CHILLED SMOKED SALMON CATEGORY

#1

Regal dominates awareness, brand loyalty measures and brand equity.

REGAL TOPS TOTAL BRAND AWARENESS AT

90%

With our value-brand, Southern Ocean performing second equal at 54%.

BRAND LOYALTY FOR REGAL HAS STRENGTHENED OVER THE PAST THREE YEARS

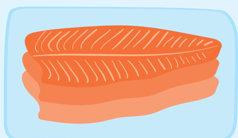
And there has been a significant rise in the number of shoppers who would consider buying Regal.

REGAL LEADS THE CATEGORY IN TERMS OF THE TOP DRIVERS OF BRAND EQUITY

"Tastes the best"

"Has the best quality salmon"

"Is a brand for me and my family"



45%

REGAL MARKET SHARE IN SMOKED SALMON CATEGORY[1]

[1] IRI, Total Supermarkets, MAT scan data Value Share to 30/06/18
[2] Nielsen Brand Health Tracker, April 2018

Our major new product launch this year - the Regal Manuka range in September 2017 - has proven successful, with excellent consumer and trade feedback.

REGAL MANUKA SUCCESS

The three new Regal Manuka smoked products have sold a combined $2.9 million since launch in September*. Regal brand sales are also up 19% since launch of the Manuka range.

*Products initially launched in Foodstuffs only; IRI scandata, Total Foodstuffs dollar sales from WE 24/9/17 to 24/6/18

REG AND AL

Regal was back on TV screens after a five year hiatus, with popular celebrity chef Al Brown and his new seafood connoisseur mate, Reg the seal. With a tagline of "it's the merroir that makes the difference" driving the provenance of the Marlborough Sounds, the distinctive campaign was made up of a TV advertisement, light box displays near supermarket entrances in key mall locations, and a digital and social media component.

An external review of the TV advertisement, in addition to positive feedback from consumers directly, indicated that the campaign is considered likeable, memorable and unique. Shoppers thought of high quality, New Zealand origin product as a result of seeing the ad and recognised that there was a new Regal Manuka range to look out for in-store. We plan to use Reg and Al in future campaigns to support new product launches.

Southern Ocean is our value brand, predominantly sold as smoked salmon products in New Zealand domestic channels. Southern Ocean is the third most recognised smoked salmon brand in New Zealand with 54% awareness in the recent Nielsen study.

With the advent of imported Atlantic salmon in the domestic market, Southern Ocean has played an important role in mitigating the new entrants' arrival in the value sector - maintaining a 17% value share in New Zealand grocery.[1]

Our Southern Ocean brand is currently undergoing an exciting rebrand and range review to increase growth and brand relevance.

Big Catch is a brand from the Omega Innovations division which utilises by-products to create salmon burley. By producing a bacterially inert burley through heat treatment, concerns around raw materials returning to the marine environment are removed, representing good biosecurity practice.

Big Catch Salmon Burley delivers a small particle size and a steady stream of salmon oil as it thaws. It's perfect for attracting all types of fish. Big Catch is for the quintessential Kiwi fisherman who is passionate about the sport and high-quality burley.

We have now developed a 3kg burley "bomb", which is now heat-treated, enabling us to explore export and meet customer demand.

ESSENTIAL MARINE-BASED NUTRITION

Positioned as a premium pet food brand with King salmon as the number one ingredient, Omega Plus is 'vet quality at supermarket prices'.

This year, we added wet cat food products to the Omega Plus range and initial sales have been very strong. The range now covers wet and dry cat and dog food, with salmon as the number-one ingredient. High in Omega-3 and protein, the range delivers a variety of nutritional benefits including a healthy skin and coat, joint mobility, intestinal health and antioxidants.

Another major area of focus has been to finalise long-term packaging in the form of fully printed pouches. Distribution continues to develop positively in the highly competitive retail channel, with an agreement now in place with another major supermarket chain for listing once the new packaging is available. Our retail footprint will then increase to over 100 stores nationally.

Our online customers have developed much faster than expected, particularly in sales of treats and the salmon oil dietary supplement. We see good future opportunity in the online channel for pet products in New Zealand.

We have also been exploring export market opportunities for Omega Plus this year with key export markets short-listed. China is our initial focus with the first shipment due to leave later this year for a large e-commerce customer. We have customised our packaging to suit the Chinese market requirements. Market research has also been conducted in North America to determine brand perception in this market.

[1] IRI, Total Supermarkets, MAT Value Share to 30/06/18

MARKET GROWTH AND DEMAND

In anticipation of future growth in production, identifying and entering new high-value customer segments in advance is essential to drive demand. Our world-class sales teams located in key markets are expert in delivering relevant and innovative brand solutions to the right customer and channel.

WITHIN NEW ZEALAND – BALANCING SUPPLY AND DEMAND

Our continued focus on doubling salmon consumption per capita within the New Zealand domestic market remains firm. However, the combination of warmer than usual growing conditions and higher customer demand meant that orders for premium locally produced salmon surpassed our ability to supply.

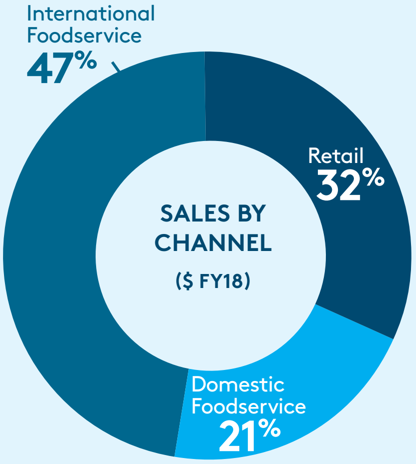
Over the past few years, New Zealanders' preferences have evolved, and salmon is now recognised as not only tasty, but also rich in Omega 3 and a nutritious source of protein alongside traditional Kiwi favourites like beef and lamb. Across all food categories, families and restaurants clearly prefer fresh, local produce and this is particularly the case when it comes to seafood.

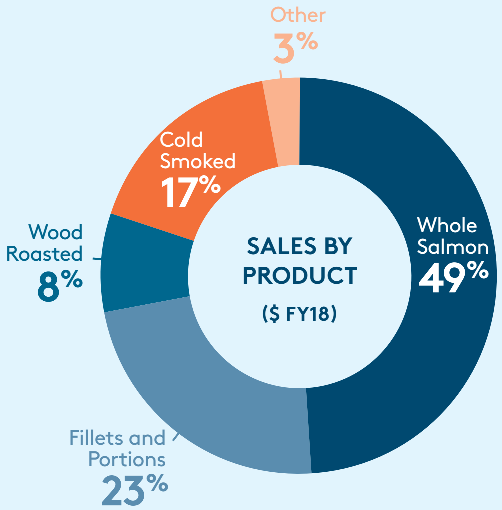
The retail market within New Zealand had one of the strongest seasonal demand periods that we have seen. Warm weather patterns in spring and summer created a perfect environment for home entertainment. This, combined with a great Regal advertising campaign, saw demand surge into the festive season. Growth of 36%[1] occurred compared to the same trading period in 2017.

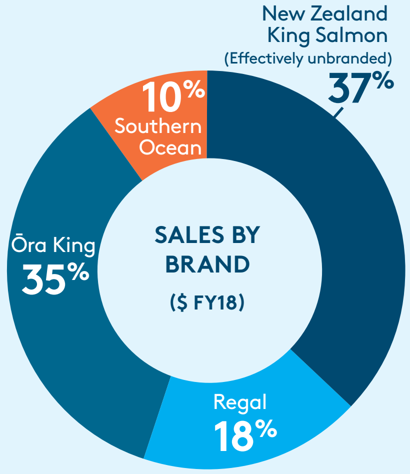
The foodservice sector also benefited from this weather pattern and demand for salmon on menus increased significantly. By mid-summer this increase in demand had outstripped all available supply. Values firmed across all sectors as the shortage in supply created an exceedingly strong market.

IMPORTED SALMON ENTERS THE MARKET

As a result, imported Atlantic salmon proved the only solution for local customers to keep supplying consumers with a salmon offer. To maintain our category leadership and emphasise the premium qualities of our local King salmon, whilst ensuring continuity of salmon supply to our customers, a decision was made to incorporate an imported branded salmon offer in our range.







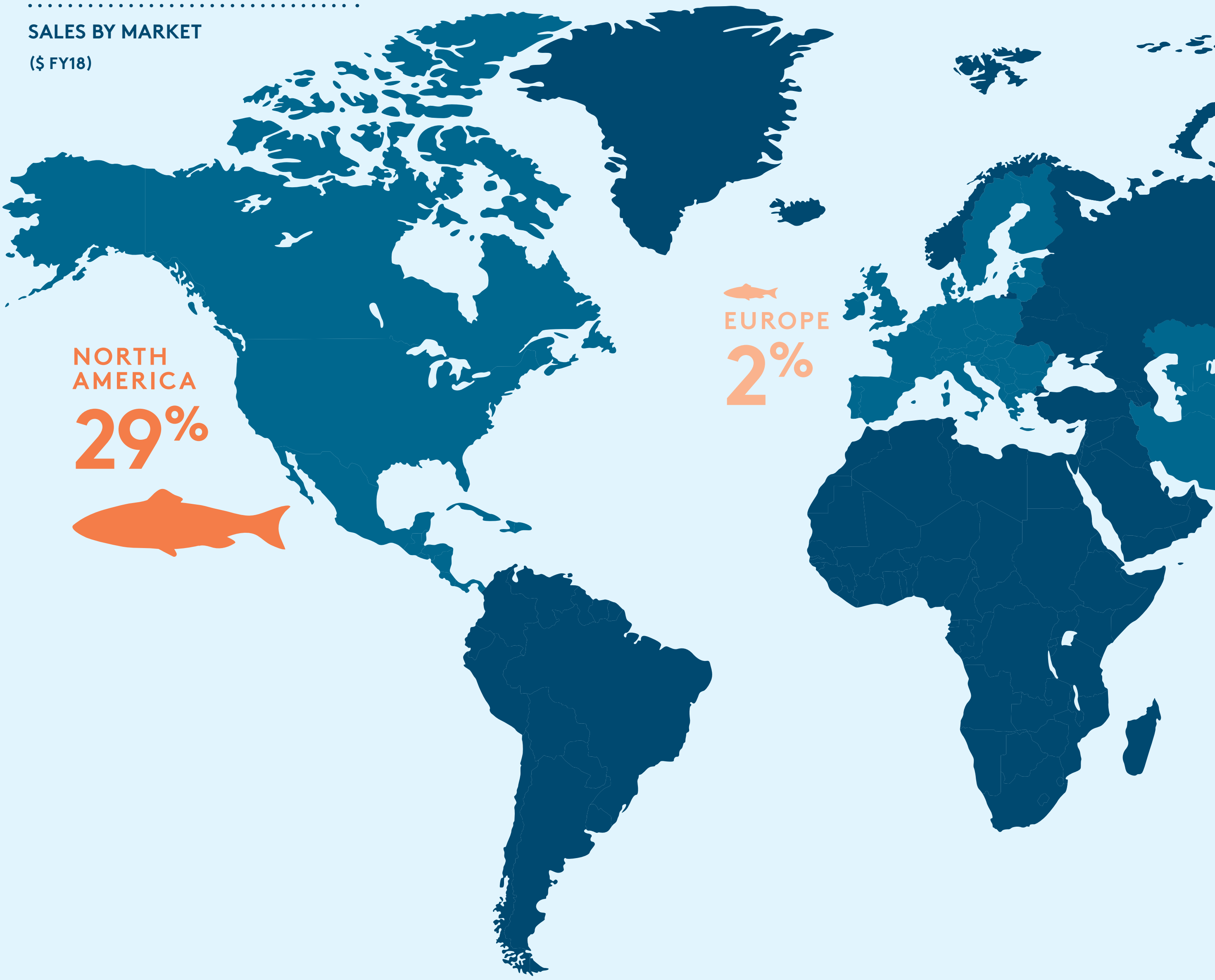
[1] Dec 17 vs Dec 16. Source: IRI Total Supermarkets, Regal dollar growth

Atlantic salmon is the most common type of salmon globally and has a lower fat content and a different taste from our local, premium King salmon. We continue to champion King salmon as the premium salmon of choice for Kiwi and international consumers, and our communications are designed to remind consumers to check before they buy, and to understand the difference between local King salmon and imported Atlantic Salmon.

As outlined in previous sections, we have a growth plan to get more branded Atlantic product on local shelves in the future.

The combination of warmer than usual growing conditions and higher customer demand meant that orders for premium locally produced salmon surpassed our ability to supply.

SALES BY MARKET
($ FY18)



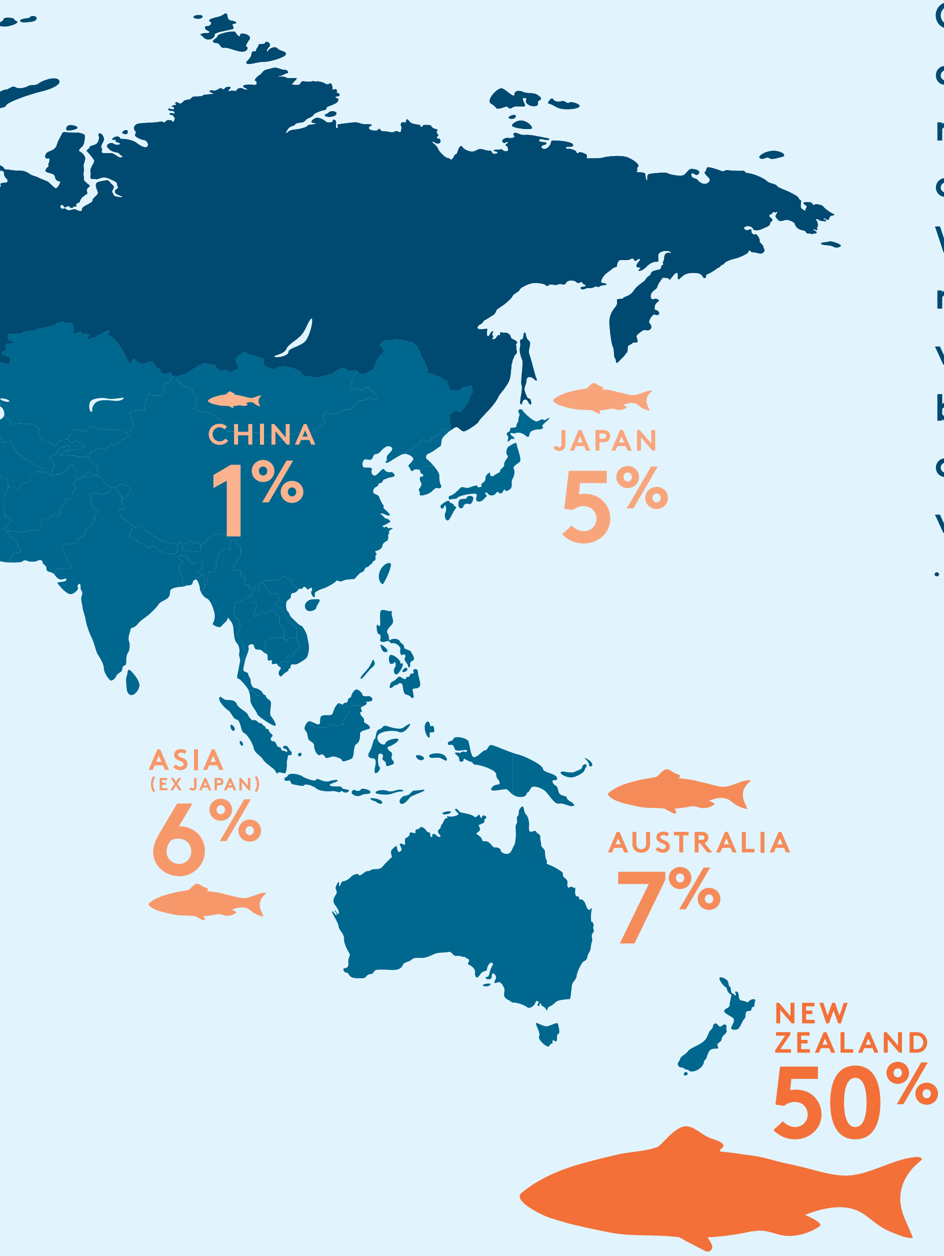
> Our market positioning in North America was also boosted with the launch of our unique product offering – Ōra King TYEE. The value positioning is aligned with the most coveted sushi fish species – such as blue fin tuna. American chefs have been eager early adopters for our TYEE, and a regular user base has already been established in the United States.
>
> BIG IDEA

INTERNATIONAL GROWTH

Within North America, we successfully launched our Regal Smoked Salmon into a division of a nationwide retailer. Acceptance and customer feedback for the Regal product in North America confirms that the retail market has enormous potential. We are actively working to maximise this potential and this is reflected in the addition of a retail resource based in North America. We also established a North American subsidiary company in order to manage the timely distribution of stock to retail.

Our Ōra King story resonates strongly with the North American market and we saw further reach over this past year into the premium and fine dining restaurant sector.

The Japan team continue to adjust the channel split after traditionally being a retail orientated market. Our focus with Ōra King in foodservice has been a slower transition in Japan but the recent addition of two foodservice focused importers will expand our reach into the targeted premium dining sector. The Ōra King Awards are now in the second year in Japan, and this brand campaign has been instrumental in accessing chefs and building more enduring relationships.



Our operations are well diversified without over reliance on any one market, channel, brand or product. We have developed a robust formula to achieve value via our strong brands, which tell the story of our King salmon to a variety of audiences.

Over the past year, our team in Australia have made significant progress. Local production in Tasmania has undergone some challenges but demand for salmon has remained strong. The work we have undertaken over these past years has positioned us well to lead the market with our brand. Demand for Ōra King outstripped supply and price returns strengthened to be at parity with most of our export markets.

China has seen consistent growth over the past year. We have supported our shareholder, China Resources Ng Fung Limited by appointing a dedicated Market Manager based in Shanghai with Primary Collaboration NZ (PCNZ). Our entry into the China market was initially via the retail sector, but our focus remains with our Ōra King product in premium restaurants and foodservice, mainly in Shanghai.

Our European market continues to develop despite constrained supply. This year, we expanded our fresh whole program with business into Italy, whilst continuing our premium frozen program into flagship European customers looking for a high-quality, convenient sushi input. Well known Michelin star and Japanese fusion restaurants are now loyal customers. We anticipate that this region will be an ideal recipient for branded smoked salmon and high-quality frozen products in future years.

Surging demand over the past year and a general shortage of supply has provided an opportunity to review our market mix throughout the Southern Asian region. We have also supported this region with a contracted market manager to ensure our Ōra King story and product is represented all the way to the end user.

DIRECTORS & MANAGEMENT

BOARD OF DIRECTORS

JOHN RYDER

Independent Chairman

MCom (Hons), FCA, CMA

John became a Director of New Zealand King Salmon in 2009 and Chair in 2016. John is an active investor and company Director, and his current roles include Executive Chairman of Alpine Retirement Group Limited and Independent Chairman of Direct Capital IV Management Limited. John was the cofounder of NZX listed Ryman Healthcare Limited (where he was co-Managing Director) and was a Director of NZX listed Michael Hill International Limited. He was involved in the initial public offering of both of these companies. John is a Chartered Accountant.

THOMAS SONG

Non-Executive Director

FCCA

Thomas has been a Director of New Zealand King Salmon since 2008. Thomas is Managing Director of major New Zealand King Salmon shareholder, Oregon Group Limited. In this role Thomas is also the Chairman of Neil Corporation Limited and Winstone Pulp International Limited. Thomas is a fellow member of the Association of Chartered Certified Accountants (UK).

JACK PORUS

Non-Executive Director

BCom, LLB

Jack has been a Director of New Zealand King Salmon since 2008. Jack is Joint Managing Partner of law firm Glaister Ennor which he joined in 1972. Jack has practiced in all areas of property law, commercial law, trusts and estate planning and is an experienced mediator. Jack is currently the chairman of Pinnacle Life Limited and a Director of Neil Corporation Limited, Norfolk Financial Management Limited as well as other substantial private businesses, and is a trustee of numerous personal and charitable trusts. Jack is a nominated appointee for major New Zealand King Salmon shareholder, Oregon Group Limited.

MARK HUTTON

Independent Non-Executive Director

BCom

Mark became a Director of New Zealand King Salmon in 2008. He is a founding partner of Direct Capital. Mark has a background in private equity, specialising in portfolio management with a focus on strategy, growth and capital funding. Mark is currently a Director for a number of Direct Capital entities. Mark is also Director of NZX listed Scales Corporation and a Director of investment company Evergreen Partners Limited. Mark is also Chair of our Nominations and Remunerations Committee.

Our Board brings many years of experience in salmon farming, processing and marketing alongside broader business experience in New Zealand and internationally.

PAUL STEERE

Independent Non-Executive Director

Paul was the founding CEO of New Zealand King Salmon from its formation in 1996 until 2009 and has been a Director of New Zealand King Salmon since 2009. He is Chair of the Audit and Risk Committee.

Paul has a background in manufacturing, international trade and fast-moving consumer goods having previously held senior executive positions with a British multinational including in Hong Kong and Singapore before joining the NZ Dairy Board as a General Manager for eight years which included responsibility for major product lines and aligned regional global markets.

Paul is currently Chairman of Nelson Airport Limited, Deputy Chair and Councillor of Nelson Marlborough Institute of Technology and a Chairman of other substantial private businesses in wine and architectural facades. He chairs an advisory committee for advancing aquaculture in the South Pacific Community which supports initiatives funded by NZ MFat. He served on the National Board of New Zealand Red Cross and its Foundation from 2003 to 2013.

XIN WANG

Non-Executive Director

MBA, Bs

Xin became a Director in 2017. Xin is the General Manager of the Corporate Strategy and Development Department at China Resources Enterprise, Limited. Xin was previously the Assistant General Manager of China Resources Ng Fung Limited, in charge of strategy and corporate development. She joined China Resources Group in 2010. Prior to that, she was with McKinsey & Company. She holds a B.S. degree from Fudan University, an MBA degree from Kellogg Business School, Northwestern University and a Master's degree from the University of Illinois in Chicago.

NELSON LIU

Alternate Director to Xin Wang

MBA

Nelson Liu brings to New Zealand King Salmon his vast experience in the ports and logistics industries. He was previously an Executive Director of China Merchants Holdings International Company Limited (a Hong Kong Hang Seng Index constituent stock company), which was primarily involved in the investment and management of ports, terminals and logistics parks. Nelson is presently a Director of the Port of Newcastle, Australia. He holds a Master of Business Administration from the Roosevelt University in USA.

GRANT ROSEWARNE

Managing Director and CEO

MBA (Executive), BAppSc

Grant started his career in technical roles having completed a degree in Chemistry and Microbiology. He went on to gain considerable international consumer goods sales, marketing and general management experience. He has worked across a number of consumer goods categories including dairy, wine, fresh produce, and dry grocery as well as foodservice segments from cafes to fine dining. Grant's international business expertise spans Britain, Europe and Australasia, with blue chip companies such as Unilever, Cerebos and Douwe Egberts/ Sara Lee.

Grant was appointed CEO of New Zealand King Salmon in 2009. During his time as CEO, Grant has focused on lifting New Zealand King Salmon's unique products from a premium commodity to a worldwide branded food delicacy.

SENIOR LEADERSHIP TEAM

GRANT ROSEWARNE
Managing Director and CEO

See previous page.

DAVID WHYTE
Chief Operating Officer

A marine biologist by training, David has more than 30 years' experience in the aquaculture industry. He joined New Zealand King Salmon to lead the aquaculture and processing operations teams, after more than a decade working in Tasmanian salmon farming.

During his time in Australia, David led business improvement projects on feed, technology, planning, customer service, third party certification, new species diversification and new lease acquisition. Prior to this he worked in technical and commercial management roles in Marine Harvest Scotland, Biomar UK and AKVA Group.

ANDREW CLARK
Chief Financial Officer

Andrew has more than two decades of finance experience across leading New Zealand aquaculture and dairy businesses. He has occupied many senior finance roles in the United States, New Zealand, Venezuela and Uruguay.

Andrew is passionate about growing New Zealand's exports and supporting regional development. After working overseas for many years, he has seen first-hand the huge potential for New Zealand premium food and beverages globally.

Andrew joined New Zealand King Salmon in 2011.

JEMMA MCCOWAN

General Manager, Marketing

Jemma joined New Zealand King Salmon in 2012 to launch Ōra King, our premium foodservice brand, in New Zealand and abroad. Jemma's team now manages the marketing and product development for New Zealand King Salmon's multiple retail and foodservice brands globally.

Jemma is an unashamed champion of New Zealand produce and believes most Kiwis don't realise the full value of what the country offers on the global stage. During her time at New Zealand King Salmon, she has played a lead role in taking the company's brands to new global markets as well as the business' sustainability projects.

Prior to joining New Zealand King Salmon, Jemma spent fifteen years working in international business development and marketing for an Australian seafood exporter and the Australian Trade Commission (Austrade).

GRAEME TREGIDGA

General Manager, Sales

Graeme started his career working for his family's horticultural business. He is the first to admit that since then, working in primary produce has got under his skin. Prior to joining New Zealand King Salmon in 2004, Graeme spent 16 years working in various horticulture roles in processing, domestic and international sales, and management.

Graeme is passionate about taking New Zealand's products to the world and has seen first-hand the value of telling strong brand stories about New Zealand primary products. He has been a central part of growing New Zealand King Salmon's exports throughout Japan, North America, Australia, China and South-East Asia, as well as growing sales in New Zealand.

SHAUN YOUNG

General Manager, Supply Chain

During the last decade, Shaun has worked at New Zealand King Salmon across a range of special projects and sales roles in Auckland and Nelson. As General Manager, Supply Chain, Shaun now leads the company's planning, procurement, customer service, logistics and ICT teams.

His team coordinates shipping fresh King Salmon around the world; including getting product from the top of New Zealand's South Island to New York almost every day of the year.

Prior to working for New Zealand King Salmon, Shaun worked for Cadbury and Goodman Fielder in sales management and analytical roles.

FINANCIAL STATEMENTS

1 JULY 2017 – 30 JUNE 2018

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $000	2017 $000
Revenue	5	160,271	136,351
Cost of goods sold	14	(145,320)	(119,879)
Fair value gain on biological transformation	15	50,309	54,845
Freight costs to market		(15,212)	(13,360)
Gross profit		**50,048**	**57,957**
Other income	6	1,822	2,574
Sales, marketing and advertising expenses		(10,381)	(8,748)
Distribution overheads		(3,348)	(2,993)
Corporate expenses	7	(9,312)	(7,261)
Other expenses	7	(347)	(2,996)
Earnings before interest, tax, depreciation and amortisation		**28,482**	**38,533**
Depreciation and amortisation expense	16, 17	(5,105)	(4,366)
Finance income	8	198	188
Finance expenses	8	(888)	(1,990)
Profit before tax		**22,687**	**32,365**
Income tax expense	9	(6,562)	(9,601)
Net profit after tax		**16,125**	**22,764**
Other comprehensive income			
Foreign currency translation differences	10	120	12
Net movement on cash flow hedges	10	(2,571)	6,063
Income tax effect of movement on cash flow hedges	10	721	(1,700)
Share based payment expense	10	263	142
Net other comprehensive income/(loss that will subsequently reverse through profit or loss)		(1,467)	4,517
Total comprehensive income/(loss)		**14,658**	**27,281**
Earnings per share			
Basic earnings per share	11	$0.12	$0.16
Diluted earnings per share	11	$0.12	$0.16

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

ASSETS	Note	2018 $000	2017 $000
Current assets			
Cash and cash equivalents	12	14,428	10,647
Trade and other receivables	13	12,426	11,688
Inventories	14	16,582	16,674
Biological assets	15	71,566	68,556
Non-current assets held for sale		-	421
Derivative financial assets	24	1,057	2,066
Total current assets		**116,059**	**110,052**
Non-current assets			
Property, plant and equipment	16	43,722	35,726
Biological assets	15	7,888	10,960
Derivative financial assets	24	1,884	3,196
Deferred tax asset	9	2,052	1,636
Intangible assets	17	5,114	3,687
Goodwill	17	39,255	39,255
Total non-current assets		**99,915**	**94,460**
TOTAL ASSETS		**215,974**	**204,512**
LIABILITIES			
Current liabilities			
Trade and other payables	20	13,924	13,282
Employee benefits	21	3,384	3,028
Borrowings	19	461	414
Other financial liabilities	28	46	18
Derivative financial liabilities	24	1,189	1,277
Taxation payable		4,902	2,285
Total current liabilities		**23,906**	**20,304**
Non-current liabilities			
Employee benefits	21	473	451
Borrowings	19	10,000	10,124
Deferred tax liabilities	9	13,995	14,010
Derivative financial liabilities	24	1,299	948
Total non-current liabilities		**25,767**	**25,533**
TOTAL LIABILITIES		**49,673**	**45,837**
NET ASSETS		**166,301**	**158,675**
EQUITY			
Share capital	26	122,579	122,518
Reserves		328	1,795
Retained earnings		43,394	34,362
TOTAL EQUITY		**166,301**	**158,675**
Net tangible assets per share			
Net tangible assets per share		$1.22	$1.15

For and on behalf of the Board, who authorised the issue of these financial statements on 28 August 2018.

DIRECTOR
28 August 2018

DIRECTOR
28 August 2018

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Share Capital $000	Foreign Currency Translation Reserve $000	Hedge Reserve $000	Share Based Payment Reserve $000	Retained Earnings $000	Total Equity $000
Balance as at 1 July 2017		**122,518**	**(515)**	**2,168**	**142**	**34,362**	**158,675**
Profit for the period		-	-	-	-	16,125	**16,125**
Other comprehensive income/(loss)	10	-	120	(1,850)	263	-	**(1,467)**
Total comprehensive income/(loss) for the period		**-**	**120**	**(1,850)**	**263**	**16,125**	**14,658**
Shares issued	26	61	-	-	-	-	**61**
Distribution to shareholders	26	-	-	-	-	(7,093)	**(7,093)**
Balance as at 30 June 2018		**122,579**	**(395)**	**318**	**405**	**43,394**	**166,301**

	Note	Share Capital $000	Foreign Currency Translation Reserve $000	Hedge Reserve $000	Share Based Payment Reserve $000	Retained Earnings $000	Total Equity $000
Balance as at 1 July 2016		25,296	(527)	(2,195)	-	14,440	**37,014**
Profit for the period		-	-	-	-	22,764	**22,764**
Other comprehensive income/(loss)	10	-	12	4,363	142	-	**4,517**
Total comprehensive income/(loss) for the period		**-**	**12**	**4,363**	**142**	**22,764**	**27,281**
Increase in share capital in preparation for IPO	26	68,914	-	-	-	-	**68,914**
Shares issued	26	30,105	-	-	-	-	**30,105**
Transaction costs arising on share issue	26	(1,797)	-	-	-	-	**(1,797)**
Distribution to shareholders	26	-	-	-	-	(2,842)	**(2,842)**
Balance as at 30 June 2017		**122,518**	**(515)**	**2,168**	**142**	**34,362**	**158,675**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $000	2017 $000
Operating activities			
Receipts from customers		161,212	135,163
Payments to suppliers		(97,453)	(97,428)
Payments to employees		(35,029)	(30,268)
Interest received		164	181
Interest paid		(597)	(1,317)
Insurance and settlement income		150	1,998
Income tax paid		(3,609)	(2,999)
Net cash flows from/ (used in) operating activities	30	**24,838**	**5,330**
Investing activities			
Proceeds from sale of property, plant and equipment		19	29
Purchase of property, plant and equipment		(14,022)	(7,449)
Purchase of intangible assets		(88)	(48)
Net cash flow (used in) / from investing activities		**(14,091)**	**(7,468)**
Financing activities			
Drawdown of revolving loan		124	(8,876)
Government grants received		148	110
Gross proceeds from share issue		42	30,105
Transaction costs arising from share issue		-	(1,797)
Proceeds from shareholder advances		-	1,402
Repayment of shareholder advances		(89)	(7,651)
Payment of finance lease liabilities		(98)	(85)
Dividends paid		(7,093)	(2,842)
Net cash flows (used in) / from financing activities		**(6,966)**	**10,366**
Net increase/(decrease) in cash and cash equivalents		**3,781**	**8,228**
Cash and cash equivalents at 1 July	12	10,647	2,419
Cash and cash equivalents at 30 June	12	**14,428**	**10,647**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

The financial statements of New Zealand King Salmon Investments Limited (the Company) and its subsidiaries (together the Group) for the year ended 30 June 2018 were authorised by the directors on 28 August 2018.

New Zealand King Salmon Investments Limited is a profit-orientated company incorporated and domiciled in New Zealand. The Company is registered under the Companies Act 1993 and listed on the NZX Main Board ("NZX") and the Australian Securities Exchange ("ASX"). The Company is an FMC reporting entity under the Financial Markets Conduct Act 2013.

The Group is principally engaged in the farming, processing and sale of premium salmon products.

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).

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 Agriculture. 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.

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 Impairment of Assets. 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, prices, and discount rates. Further details of the value in use assessment 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 Fair Value Measurement. 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.

Useful lives of assets

The Group estimates the useful lives of property, plant and equipment and intangible assets based on historical performance and currently consented future asset uses.

d. Foreign currency translation

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. The USA subsidiary's functional currency is United States dollars which is translated into the presentation currency in these financial statements.

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.

Translation of Group subsidiaries functional currency to presentation currency

The assets and liabilities of both the Australian and USA subsidiaries 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. SUMMARY OF SIGNIFICIANT 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 Company 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 Group and the liabilities assumed by the Group. Acquisition related costs are expensed as incurred and included in administrative expenses. Any contingent consideration to be transferred by the Group 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 applies the following accounting policies for financial instruments:

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.

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.

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.

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.

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.

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.

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 re-measured 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 or net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – the cost of fish is measured at fair value at harvest date. The cost of other raw materials 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 - 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. Many fish are harvested with a live weight above or below this weight.

For brood stock 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.

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	twenty to fifty years
Building fit out	three to twenty five years
Leasehold improvements	five to ten years
Plant, furniture and fittings	three to twenty years
Motor vehicles	five years
Sea vessels	ten to twenty 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 de-recognition 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.

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, five to thirty five years
Internally generated or acquired:	Acquired

Computer Software

Useful lives:	Finite
Amortisation method used:	Straight line, four to seven 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

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.

Long service leave

The liability for long service leave is recognised and measured at 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.

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.

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:

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 passed to the buyer depending on the agreed shipping terms. This is typically when legal ownership is passed over.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Insurance proceeds

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

m. Taxes

Income 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.

n. Share-based payments

Certain employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 26.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of comprehensive income for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Various new standards, amendments to standards and interpretations are effective for annual periods beginning on or after the current reporting period and have not been applied in preparing these consolidated financial statements. The following changes may have a significant effect on the consolidated financial statements of the group:

NZ IFRS 9: Financial Instruments

NZ IFRS 9, 'Financial Instruments' replaces NZ IAS 39 'Financial Instruments: Recognition and Measurement'. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The new standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and introduced a new impairment model.

The Group intends to adopt NZ IFRS 9 on its effective date and is currently assessing its full impact. The standard is not expected to significantly impact the Group as the valuation and measurement of the Group's financial assets and liabilities are not expected to change.

NZ IFRS 15: Revenue from Contracts with Customers

NZ IFRS 15, 'Revenue from Contracts with Customers' establishes the framework for revenue recognition. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction Contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.

The Group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact the Group as the majority of sales enable control to be transferred to customers within one to two days of dispatch.

NZ IFRS 16: Leases

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'.

The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact. The group currently leases a number of offices, buildings, vehicles, water space and minor plant and equipment.

5. SEGMENT INFORMATION

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

Predominantly customers based outside 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 $000	New Zealand Foodservice $000	Export Market $000	Total $000
Year ended 30 June 2018				
Revenue	41,415	37,811	81,045	**160,271**
Segment EBITDA	4,904	6,702	16,876	**28,482**
Year ended 30 June 2017				
Revenue	35,439	38,385	62,527	**136,351**
Segment EBITDA	7,031	12,101	19,401	**38,533**

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:

	2018 $000	2017 $000
Segment profit	**28,482**	**38,533**
Depreciation, amortisation and impairment	(5,105)	(4,366)
Net finance costs	(690)	(1,802)
Group profit before tax	**22,687**	**32,365**

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.

Revenue by geographical location of customers	2018 $000	2017 $000
New Zealand	79,226	73,824
North America	48,435	35,956
Australia	11,497	12,035
Japan	8,265	6,034
Europe	2,860	1,986
Other	9,988	6,516
Total revenue	**160,271**	**136,351**

Sales net of settlement discounts to two major customers for the year totalled $16,595k and $16,535k or 10.4% and 10.3% respectively (2017 one major customer accounted for $16,511k or 12.1%). In both years, these customers were included in the New Zealand Retail segment.

6. OTHER INCOME

Other income	2018 $000	2017 $000
Grants received	148	112
Supplier settlement	-	1,784
Rebate on supply	1,135	-
Insurance settlements	188	214
Supplier forgiveness of debt	-	348
Contract penalties (received)	175	-
Profit on sale of property, plant and equipment	19	28
Other income	157	88
Total other income	**1,822**	**2,574**

7. EXPENSES

Corporate and other expenses include:	2018 $000	2017 $000
Trade receivables written off	10	1
Impairment of trade receivables	20	84
Professional fees related to capital raising	-	1,970
Research cost	660	849
Water space process expense	171	846
Loss on Assets Held for Sale	113	180
Minimum lease payments - operating leases	1,477	1,118
Directors' fees	420	320
Other directors' expenses	43	18
Donations	17	43

Employee benefits expense	2018 $000	2017 $000
Wages and salaries	29,616	26,445
Defined contribution plan expenses	683	569
Restructuring costs	40	(4)
Other employee benefits expenses	3,933	3,476
Outsourced labour	1,399	555
Total employee benefits expense	**35,671**	**31,041**

8. FINANCE INCOME AND COSTS

Finance income	2018 $000	2017 $000
Interest income	198	188
Total finance income	**198**	**188**

Finance costs	2018 $000	2017 $000
Bank facility fees	293	284
Interest on bank loans and overdrafts	595	1,210
Interest on shareholder loans	-	496
Total finance costs	**888**	**1,990**

9. INCOME TAX

	2018	2017
Recognised in the consolidated statement of comprehensive income	**$000**	**$000**
Current income tax expense	6,143	4,745
Under provision - previous year	127	(49)
Deferred tax relating to origination and reversal of temporary differences	292	4,905
Total income tax expense/(credit) in the statement of comprehensive income	**6,562**	**9,601**
Tax amounts posted directly to equity	**(721)**	**1,700**
Reconciliation of tax expense to statutory income tax rate		
Profit/(loss) before tax	22,687	32,365
Income tax using the company tax rate 28%	6,352	9,063
Non deductible/non assessable items	73	617
Under provision - previous year	127	(49)
Prior period adjustment	(30)	-
Other differences	40	(30)
Total tax expense	**6,562**	**9,601**

Statement of financial position deferred tax assets and liabilities	**2018**	**2017**
Deferred tax liabilities	**$000**	**$000**
Accelerated depreciation for tax purposes	(2,807)	(2,853)
Fair value adjustment to biological assets	(10,300)	(9,640)
Gains on foreign currency hedges	(426)	(1,108)
Increase accounting cost for finished goods	(462)	(409)
Total deferred tax liabilities	**(13,995)**	**(14,010)**
Deferred tax assets		
Provision for doubtful trade debtors	23	43
Provision for employee benefits	793	570
Impairment of non-current assets	-	176
Share based payments	113	40
Losses on foreign currency hedges	299	258
Other provisions	824	549
Total deferred tax assets	**2,052**	**1,636**
Net deferred tax liability	**(11,943)**	**(12,374)**

Statement of comprehensive income deferred tax assets and liabilities	**2018**	**2017**
Deferred tax liabilities	**$000**	**$000**
Accelerated depreciation for tax purposes	(42)	129
Fair value adjustment to biological assets	661	4,991
Increase accounting cost for finished goods	53	38
Total deferred tax liabilities	**672**	**5,158**
Deferred tax assets		
Provision for doubtful trade debtors	20	(26)
Provision for employee benefits	(222)	(24)
Impairment of non-current assets	176	114
Share based payments	(74)	(40)
Other provisions	(280)	(277)
Total deferred tax assets	**(380)**	**(253)**
Deferred tax (credit)/expense	**292**	**4,905**

Imputation credit account

The imputation credit account balance in the New Zealand King Salmon Company Limited as at 30 June 2018 is $3,504k (2017: $1,821k).

10. COMPONENTS OF OTHER COMPREHENSIVE INCOME

Movement in reserves	2018 $000	2017 $000
Forward currency contracts		
Reclassification during the year to profit or loss	12	(18)
Income tax effect	(2)	5
Realised/unrealised net gain/(loss) during the year	(2,436)	4,997
Income tax effect	682	(1,400)
Interest rate swaps		
Realised/unrealised net gain/(loss) during the year	(147)	1,084
Income tax effect	41	(305)
Currency translation differences		
Currency translation differences	120	12
Share based payment expenses		
Share based payment expense	263	142
Net movement in reserves	**(1,467)**	**4,517**

11. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares on issue during the year. Diluted earnings per share assume conversion of all potential ordinary shares in determining the weighted average number of ordinary shares on issue.

Earnings per share	2018 $000	2017 $000
Profit attributable to ordinary equity holders	16,125	22,764

	# of Shares 000	# of Shares 000
Weighted average number of ordinary shares for diluted earnings per share	138,475	138,158
Basic earnings per share	$0.12	$0.16
Diluted earnings per share	$0.12	$0.16

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2018 $000	2017 $000
Cash at bank and on hand	14,021	10,175
Short-term deposits	407	472
Total cash and cash equivalents	**14,428**	**10,647**

13. TRADE AND OTHER RECEIVABLES

Trade and other receivables	2018 $000	2017 $000
Trade receivables	11,016	10,848
Allowance for impairment loss	(110)	(153)
Prepayments	1,103	970
Other receivables	417	23
Total trade and other receivables	**12,426**	**11,688**

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 uncollectable 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.

Ageing analysis of trade receivables	2018 $000	2017 $000
> 90 days overdue	112	90
31 - 90 days overdue	141	68
15 - 30 days overdue	784	49
< 15 days overdue	356	1,867
Not yet due	9,623	8,774
Total receivables	**11,016**	**10,848**

Receivables impairment movement	2018 $000	2017 $000
As at 1 July	153	69
Additional provisions for impairment	130	151
Receivables written off during the year	(10)	1
Reversal of unused amounts	(163)	(68)
As at 30 June	**110**	**153**

14. INVENTORIES

Inventories	2018 $000	2017 $000
Raw materials	9,822	9,525
Work in progress	106	-
Finished goods	6,654	7,149
Total inventories	**16,582**	**16,674**

The closing cost of finished goods as at 30 June 2018 includes a fair value uplift at point of harvest of $2,354k (2017: $2,391k) and an impairment provision of $1,638k (2017: $1,446k).

Amount of inventories recognised as an expense in the statement of comprehensive income	2018 $000	2017 $000
Cost of inventories recognised as an expense	145,093	119,627
Movement in net realisable value of inventory decrease	227	252
Total cost of goods sold	**145,320**	**119,879**

The cost of inventories recognised as an expense for the year ended 30 June 2018 includes a fair value uplift at point of harvest of $47,988k (2017: $37,135k).

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.

Biological assets	Cost $000	Fair Value Gain $000	Total $000
As at 1 July 2017	45,087	34,429	79,516
Increase due to biological transformation [1]	67,846	36,692	104,538
Decrease due to harvest [2]	(57,768)	(47,951)	(105,719)
Decrease due to mortality [3]	(12,498)	-	(12,498)
Changes in fair value [4]	-	13,617	13,617
As at 30 June 2018	**42,667**	**36,787**	**79,454**

[1] Biological transformation fair value is impacted by volume increases and fish weight at reporting date relative to the target fish harvest weight of 4 kgs (proportional recognition).

[2] Harvested fair value is included in cost of goods sold in the statement of comprehensive income and is calculated by multiplying the current years harvest (biomass) by the prior years estimated gross margin per kg (recognised at 100%).

[3] Mortality cost is expensed directly to the statement of comprehensive income in the period which it occurs and is not subject to a fair value uplift.

[4] Changes in fair value are impacted by movements in margin primarily being changes in sales price and costs to sell (fish cost, harvest, processing and freight to market).

Biological assets	Cost $000	Fair Value Gain $000	Total $000
As at 1 July 2016	36,347	16,603	52,950
Increase due to biological transformation	70,330	50,606	120,936
Decrease due to harvest	(56,346)	(37,019)	(93,365)
Decrease due to mortality	(5,244)	-	(5,244)
Changes in fair value	-	4,239	4,239
As at 30 June 2017	**45,087**	**34,429**	**79,516**

Fair value gain/(loss) recognised in profit and loss	2018 $000	2017 $000
Gain arising from growth of biological assets	36,692	50,606
Movement in fair value of biological assets	13,617	4,239
Total fair value gain on biological transformation	**50,309**	**54,845**

Harvested biomass	2018 mt	2017 mt
Harvested live weight biomass	9,112	8,218
Total live weight harvested for the period (metric tonne)	**9,112**	**8,218**

Estimated closing biomass	2018 mt	2017 mt
Closing fresh water stocks	105	142
Closing sea water stocks	5,286	6,085
Total estimated closing biomass live weight as at period end	**5,391**	**6,227**

Fair value measurement

Measurement of fair value is performed using a fair value model. The method of valuation therefore falls into level 3 of the fair value hierarchy as the inputs are unobservable inputs.

The valuation of biological assets is carried out separately for each site at a brood and strategy level. Estimated actual cost up to the date of harvest 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. Selling price is estimated at balance date based on the most relevant future market price at expected harvest date. The expected gross margin is recognised proportionately based on average biomass at reporting date. Fair value measurement commences at the date of transfer to sea water as this is considered the point at which the fish commence their grow out cycle.

Fair value risk 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 harvested. The Group has insurance to cover some of the risks relating to the livestock.

The estimate of unrealised fair value gain from cost 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 of biological assets because of changes in key factors such as the final market destinations of inventory sold, changes in price, foreign exchange rates, harvest weight, growth rates, mortality, cost levels and differences in harvested fish quality.

Leaving all other variables constant a 10.0% increase/decrease in average future sales prices would increase/decrease the fair value of biological assets on hand and profit before tax by $10.8m (2017: 5% increase/decrease $5.4m) (excludes the impact of finished goods), while a 10.0% increase/decrease in future harvest volume would increase/decrease the fair value of biological assets on hand and profit before tax by $3.6m (2017: 5% increase/decrease $1.7m).

A 10% increase/decrease in costs to sell would decrease/increase the fair value of biological assets on hand and profit before tax by $7.0m (2017: 5% increase/decrease $3.5m). Changes in fish health and environmental factors may affect the quality of harvested fish, which may be reflected in realised profit via both achieved sales price and production costs.

16. PROPERTY, PLANT AND EQUIPMENT

Cost	Freehold land and buildings $000	Plant, equipment and fittings $000	Vehicles and sea vessels $000	Construction in progress $000	Total $000
As at 1 July 2017	9,029	50,919	2,385	1,085	63,418
Additions	715	4,744	137	7,573	13,169
Disposals	(49)	(4,456)	(157)	(5,724)	(10,386)
As at 30 June 2017	**9,695**	**51,207**	**2,365**	**2,934**	**66,201**
Additions	301	10,427	334	12,009	23,071
Disposals	-	(116)	(97)	(10,209)	(10,422)
As at 30 June 2018	**9,996**	**61,518**	**2,602**	**4,734**	**78,850**
Depreciation and impairment					
As at 1 July 2017	1,442	27,685	1,694	-	30,821
Depreciation	250	3,748	125	-	4,123
Impairment	-	-	-	-	-
Disposals	(33)	(4,285)	(151)	-	(4,469)
As at 30 June 2017	**1,659**	**27,148**	**1,668**	**-**	**30,475**
Depreciation	281	4,437	145	-	4,863
Impairment	-	-	-	-	-
Disposals	-	(113)	(97)	-	(210)
As at 30 June 2018	**1,940**	**31,472**	**1,716**	**-**	**35,128**
Net Book Value					
As at 30 June 2017	**8,036**	**24,059**	**697**	**2,934**	**35,726**
As at 30 June 2018	**8,056**	**30,046**	**886**	**4,734**	**43,722**

Borrowing costs

There were no borrowing costs capitalised in 2018 (2017: $nil).

Impairment

There were no impairment losses recognised in 2018 (2017: $nil).

Finance Leases

The carrying value of property, plant and equipment held under finance leases as at 30 June 2018 was $310k (2017: $353k). There were no additions of property, plant and equipment under finance leases in the 2018 year, $nil (2017: $136k). Leased assets are pledged as security for the related finance lease liabilities.

17. INTANGIBLES

Cost	Development in progress $000	Trademarks $000	Farm and hatchery licenses $000	Software $000	Goodwill $000	Total $000
As at 1 July 2016	3	242	4,322	3,927	39,255	47,749
Additions	457	-	57	11	-	525
Disposals	(452)	-	-	(1,817)	-	(2,269)
Transferred to assets held for sale	-	-	-	-	-	-
As at 30 June 2017	**8**	**242**	**4,379**	**2,121**	**39,255**	**46,005**
Additions	1,363	-	6	524	-	1,893
Disposals	(541)	-	-	-	-	(541)
Transferred from assets held for sale	-	-	308	-	-	308
As at 30 June 2018	**830**	**242**	**4,693**	**2,645**	**39,255**	**47,665**
Depreciation and impairment						
As at 1 July 2016	-	200	680	3,743	-	4,623
Amortisation	-	-	131	112	-	243
Disposals	-	-	-	(1,812)	-	(1,812)
Impairment	-	-	-	-	-	-
As at 30 June 2017	-	200	811	2,043	-	3,054
Amortisation	-	-	141	101	-	242
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
As at 30 June 2018	**-**	**200**	**952**	**2,144**	**-**	**3,296**
Net Book Value						
As at 30 June 2017	**8**	**42**	**3,568**	**78**	**39,255**	**42,951**
As at 30 June 2018	**830**	**42**	**3,741**	**501**	**39,255**	**44,369**

Goodwill

Goodwill resulted from the acquisition of The New Zealand King Salmon Co. Limited and is subject to annual impairment testing. The Group performs an annual impairment test in June each year. 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 notionally allocated to the New Zealand King Salmon Company's operating segments as cash generating units. The recoverable amounts of the cash generating units have 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, plus an estimated terminal value. 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 1.7% p.a. (2017: 3.3% p.a.). A discount rate of 10.36% p.a. (2017: 11.1% 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, exchange rates, sales volumes and fish performance. Reasonably probable changes in the assumptions used would not cause the carrying value of goodwill to exceed the recoverable amount for any of the cash generating units.

Trade marks

Trademarks are externally acquired and are carried at cost less impairment. They have indefinite useful lives and are assessed annually for impairment. No impairment has been recognised during the period (2017: Nil).

18. NON-CURRENT ASSETS HELD FOR SALE

The Marlborough Salmon Farm Relocations Advisory Panel report (made publicly available in February 2018) did not recommend the relocation of New Zealand King Salmon Crail Bay sites which were previously classified as Marine Licence Held for Sale. This has resulted in the reintroduction of these licences to intangibles. In accordance with NZ IFRS 5 this has been at the amortised value that would have been recognised if the asset had not been held for sale, $308K (FY17: $421K). The difference has been recognised as an Expense in the Statement of Comprehensive Income.

19. INTEREST BEARING LOANS AND BORROWINGS

Current interest bearing loans and borrowings	2018 $000	2017 $000
Finance lease liabilities	133	144
Secured bank loans	-	-
Other borrowings	328	270
Total current interest bearing loans and borrowings	**461**	**414**
Non-current interest bearing loans and borrowings		
Finance lease liabilities	-	124
Secured bank loans	10,000	10,000
Other borrowings	-	-
Total non-current interest bearing loans and borrowings	**10,000**	**10,124**

The Company has facilities with BNZ for $30m, secured by a general security deed over the assets of the Group. The expiry date of facility A of $18m is 25 November 2020, and facility B of $12m expires on 18 October 2019. At balance date $10m of facility A was drawn (June 2017: $10m).

20. TRADE AND OTHER PAYABLES

Trade and other payables	2018 $000	2017 $000
Trade payables	11,170	11,318
Other payables	2,754	1,964
Total trade and other payables	**13,924**	**13,282**

21. EMPLOYEE BENEFITS

Current employee benefits	2018 $000	2017 $000
Bonuses	1,193	903
Employee annual and sick leave benefits	2,022	1,956
Long service leave	169	169
Total current employee benefits	**3,384**	**3,028**
Non-current employee benefits		
Long service leave	473	451
Total non-current employee benefits	**473**	**451**

Long service leave

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

22. COMMITMENTS AND CONTINGENCIES

Operating leases

The Group has entered into various operating lease arrangements with providers of premises, vehicles, water space 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:

Operating lease commitments as a lessee	2018 $000	2017 $000
Less than one year	568	607
Between one and five years	1,052	948
More than five years	-	722
Total operating lease commitments as a lessee	**1,620**	**2,277**

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:

Finance lease commitments as at 30 June 2018	Minimum lease payments $000	Present value of payments $000
Less than one year	133	133
Between one and five years	-	-
Total finance lease commitments as at 30 June 2018	**133**	**133**
Finance lease commitments as at 30 June 2017		
Less than one year	143	125
Between one and five years	124	108
Total finance lease commitments as at 30 June 2017	**267**	**233**

Capital commitments

The Group has entered into agreements to purchase plant and equipment. As at 30 June 2018 the total commitment is $1,547k (2017: $1,137k).

Contingencies

The Group has a contingent liability of $1,066k in respect of a fish transport contract requiring the Group to purchase three bulk tankers (including modifications made in 2018), should the fish transport contract be terminated early. (2017: $995k).

Guarantees

The group has three guarantee facilities totalling $115k.

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.

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 of two key types of risks; currency and interest rate risk.

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 five 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 $47.5m on the import side (2017: $57.6m) and $126.2m on the export side (2017: $79.3m), for delivery over the next five 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, United States dollars and Japanese yen.

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 60 months from 1 July 2018. 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 $113k (2017: $220k) whilst the NZ dollar equivalent of unhedged currency risk on liabilities at balance date is $31k (2017: $86k).

Currency sensitivity

The following table demonstrates 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.

	Equity	Profit
As at 30 June 2018	**$000**	**$000**
Impact of a 5% strengthening of the NZD	2,027	(264)
Impact of a 5% weakening of the NZD	(2,199)	292
Impact of a 10% strengthening of the NZD	3,924	(505)
Impact of a 10% weakening of the NZD	(4,653)	617
As at 30 June 2017		
Impact of a 5% strengthening of the NZD	94	(32)
Impact of a 5% weakening of the NZD	(151)	29
Impact of a 10% strengthening of the NZD	150	(68)
Impact of a 10% weakening of the NZD	(346)	56

Interest rate risk

The Group has exposure to interest rate risk that arises mainly due to the Group's 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, current swap cover out to 2024. The amount of Parent borrowing covered using swaps at balance date was $10m (2017: $10m).

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.

Interest rate swaps in place at balance date cover 100% (2017: 100%) of the principal outstanding and are timed to expire in the next three to forty-two months. Forward starting swaps have been used to further extend maturities out to 2024 ($10m). The fixed interest rates for the existing swaps range between 4.3% and 5.01% (2017: 3.4% and 4.75%) and the floating rate of 2.03% is aligned to the floating quarterly bank bill rate. The loss on interest rate swaps at balance date was $1,142k (2017: $986k 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:

	2018 $000	2017 $000
Impact of an increase of 50 basis points	287	319
Impact of a decrease of 50 basis points	(298)	(334)

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.

Maximum exposures to credit risk as at balance date are:

	2018 $000	2017 $000
Cash and short term deposits	14,428	10,647
Trade and other receivables	12,426	11,688
Derivative financial assets/(liabilities)	88	45

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 Bank of New Zealand. 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.

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 2018	Less than one year $000	Between one and two years $000	Between two and five years $000
Bank loans	(4,580)	431	1,392
Finance lease liabilities	143	-	-
Trade and other payables	13,924	-	-
Financial guarantee contracts	115	-	-
Total non-derivative liabilities	**9,602**	**431**	**1,392**
Forward foreign currency exchange contracts	42,518	47,088	25,788
Forward foreign currency options	21,931	17,639	15,771
Interest swaps	616	804	2,620
Total derivative liabilities	**65,065**	**65,531**	**44,179**
As at 30 June 2017			
Bank loans	330	371	1,351
Finance lease liabilities	144	80	44
Trade and other payables	13,282	-	-
Financial guarantee contracts	315	315	315
Total non-derivative liabilities	**14,071**	**766**	**1,710**
Forward foreign currency exchange contracts	46,198	34,221	21,171
Forward foreign currency options	5,495	6,620	4,963
Interest swaps	252	245	603
Total derivative liabilities	**51,945**	**41,086**	**26,737**

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The carrying value of the BNZ loan drawing of $10m is considered a reasonable approximation of its fair value due to the short term maturities of the drawings. New Zealand King Salmon Investments has the discretion to roll these short term drawings out to 2020.

The following financial instruments of the Group are carried at fair value:

	2018	2017
Current derivative financial assets	**$000**	**$000**
Forward exchange contracts	662	1,776
Foreign exchange options	395	290
Total Current derivative financial assets	**1,057**	**2,066**
Non-current derivative financial assets		
Forward exchange contracts	892	1,882
Foreign exchange options	992	1,314
Total Non-current derivative financial assets	**1,884**	**3,196**
Current derivative financial liabilities		
Forward exchange contracts	213	519
Foreign exchange options	150	24
Interest rate swaps	826	734
Total Current derivative financial liabilities	**1,189**	**1,277**
Non-current derivative financial liabilities		
Forward exchange contracts	425	451
Foreign exchange options	630	307
Interest rate swaps	244	190
Total non-current derivative financial liabilities	**1,299**	**948**

The carrying value of obligations under financial leases differs from fair value as follows:

	As at 30 June 2018		As at 30 June 2017	
	Carrying amount $000	Fair value $000	Carrying amount $000	Fair value $000
Obligations under finance leases	133	133	267	233
Total obligations under finance leases	**133**	**133**	**267**	**233**

Valuation methods

Financial instruments have been categorised into the following hierarchy 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 hierarchy. Industry experts have provided the fair values for all derivatives based on an industry standard model.

25. CAPITAL MANAGEMENT

Group capital

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.

26. CAPITAL AND RESERVES

Share capital	**2018**	**2017**
Issued shares	**000**	**000**
Ordinary shares	138,475	138,158
Total issued shares	**138,475**	**138,158**

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 consisted of a fully imputed dividend of $0.02 per share and a $0.01 per share special dividend both paid on 6 September 2017. Additionally, a fully imputed interim dividend of $0.02 per share was paid on 14 March 2018 (2017: $0.02 paid on 24 March).

	# of Shares		**Share Capital**	
	2018	**2017**	**2018**	**2017**
Movement in ordinary share capital	**000**	**000**	**$000**	**$000**
As at 1 July	138,158	25,295	122,518	25,296
Shareholder loans converted to share capital	-	26,941	-	70,202
Shares issued by way of 2.11 to 1 share split	-	57,955	-	-
Issue of new shares pursuant to IPO	-	26,786	-	30,000
Transactional costs arising on share issue	-	-	-	(1,797)
Employee offer pursuant to IPO LTI share ownership plan	-	1,181	-	1,322
Share issue for employee LTI share scheme	317	-	-	(2,505)
Share issue recognised on repayment of employee loans	-	-	61	-
Total share capital as at 30 June	**138,475**	**138,158**	**122,579**	**122,518**

Reserves

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.

Hedge reserve

The hedge reserve represents the unrealised gains and losses on interest rate swaps and foreign currency forward contracts that the Group has taken out in order to mitigate interest rate and foreign currency risks, net of deferred tax.

Share-based payment reserve

The share-based payment reserve relates to two long term incentive (LTI) schemes and and two employee share ownership scheme. All of these schemes involve the Company making interest-free limited recourse loans to selected personnel to acquire shares in the Company. The employees must remain in employment for the duration of the vesting or escrow periods before the employees receive the full benefit of share ownership.

The senior leadership share ownership plan LTI scheme was established prior to the IPO and relates to 3,176,878 shares in the Company. The ordinary shares in the Company are security for the interest-free limited recourse loans and are held in escrow until after the financial results have been announced for the year ending 30 June 2018.

The senior executive LTI scheme was established at the time of the IPO and relates to 993,671 shares in the Company. The ordinary shares in the Company are security for the interest-free limited recourse loans, are held by a Custodian and will vest three years from the granting date of 19 October 2016. The price to be paid for each share is the issue price at grant date, reduced by any dividends that are applied to the interest-free limited recourse loans. No shares vested, expired during the year, however 202,714 shares were forfeited during the year.

A further 317,515 shares were issued on 29 September 2017 with vesting date being 1 September 2020. These shares are also held by a Custodian with the ordinary shares in the Company being security for the interest free limited recourse loan. The price to be paid for each share is the issue price at grant date, reduced by any dividends that are applied to the interest free limited recourse loan. No shares vested or expired during the year however 13,024 shares were forfeited during the year.

The employee share ownership scheme was established at the time of the IPO and relates to 187,076 shares in the Company and was established at the time of the IPO. The ordinary shares in the Company are security for the interest-free limited recourse loans which may remain in place whilst the holder is in employment with the Company.

The estimated value of share options was determined using the Black-Scholes pricing calculator and is being amortised over the respective restrictive periods. The option cost is treated as an employee expense with the corresponding credit included in the share based payment reserve. The inputs into the option pricing valuation model are the acquisition or granting date, initial issue at the time of the IPO in October 2016, share price of $1.12, and $1.22 for further shares issued in September 2017 or $1.77 for those who joined the scheme in September 2017 (which accordingly is the option exercise price), expected share price volatility of 14.1%, option life relative to each respective vesting or escrow period and a risk free interest rate of 2.1%. During the year 215,738 forfeited LTI shares were held by the Company as treasury stock, and may be issued to nominated executives in future grants of LTI shares.

Retained earnings

Retained earnings represents the profits retained in the business.

27. EVENTS AFTER BALANCE DATE

Dividends declared after balance date:	2018 $000	2017 $000
Final cash dividend	4,152	2,763
Special dividend	-	1,382
	4,152	**4,145**

A final fully imputed dividend of 3 cents per share on ordinary shares was approved on 28 August 2018 for payment on 21 September 2018. These dividends are not recognised as a liability as at 30 June 2018.

28. RELATED PARTY DISCLOSURES

Subsidiaries

New Zealand King Salmon Investments Limited has the following trading subsidiaries.

Subsidiary	*Company of Incorporation*	*Equity Interest*
The New Zealand King Salmon Co Limited	New Zealand	100%
New Zealand King Salmon Exports Limited	New Zealand	100%
The New Zealand King Salmon Pty Limited	Australia	100%
New Zealand King Salmon USA Incorporated	United States of America	100%

The principal activity of The New Zealand King Salmon Co Ltd is the farming and processing of salmon. The activity of New Zealand King Salmon Exports Ltd, The New Zealand King Salmon Pty Ltd, and New Zealand King Salmon USA Inc is the distribution of salmon.

At balance date Oregon Group Limited owned 40.16% (30 June 2017: 40.26%) and China Resources Ng Fung Limited owned 9.96% (30 June 2017: 9.97%) of the shares in New Zealand King Salmon Investments Limited.

Transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. The following provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Related party payments	2018 $000	2017 $000
Interest paid - Oregon Group Limited	-	272
Interest paid - Other shareholders	-	194
Good and services purchased from other related parties	63	258
Total related party payments	**63**	**724**
Related party sales		
Goods and services sold to related parties	(1,527)	(462)
Total related party sales	**(1,527)**	**(462)**

Sales to and purchases from related parties are made in arm's length transactions, both at normal market prices and on normal commercial terms.

Amounts owing to related parties Current amounts owing to related parties	2018 $000	2017 $000
Other amounts owing to related parties	46	18
Total current amounts owing to related parties	**46**	**18**

Amounts owing by related parties	2018 $000	2017 $000
Amounts owing by related parties	177	94
Total amounts owing by related parties	**177**	**94**

Compensation of key management personnel of the Group Key management personnel compensation	2018 $000	2017 $000
Short-term employee benefits	1,947	2,159
Share based payment expense	161	112
Post employment pension and medical benefits	86	108
Total key management personnel compensation	**2,194**	**2,379**

29. AUDITOR'S REMUNERATION

Auditor's remuneration	2018 $000	2017 $000
Audit fees	112	95
Other assurance	33	45
Tax compliance and consultancy	67	88
Transaction advisory services	-	175
Total auditor's remuneration	**212**	**403**

Other assurance services include review of the interim financial statements and performance of agreed upon procedures on sustainability information of the Group. The prior year also included transaction advisory services relating to work performed as investigative accountants in connection with the pubilic offer of shares in the Company.

30. RECONCILIATION OF NET OPERATING CASH FLOW TO PROFIT/(LOSS)

Reconciliation of the profit for the year with the net cash from operating activities	2018 $000	2017 $000
Profit before tax	22,687	32,365
Adjusted for		
Depreciation and amortisation	5,105	4,366
(Gain)/loss on sale of assets	94	(29)
Loss on Asset Held for Sale	2	182
Share-based payments	263	142
Net foreign exchange differences	367	(70)
Capitalised interest on shareholder loans	-	389
Movement in prepaid insurances and other loans	(461)	(112)
Income tax expense	(6,562)	(9,601)
(Increase) in deferred tax on reserves	721	(1,700)
(Increase)/decrease in trade and other receivables and prepayments	(738)	(1,458)
(Increase)/decrease in inventories and biological assets	154	(25,948)
Increase/(decrease) in trade and other payables	1,020	(1,503)
Increase/(decrease) in tax liabilities	2,186	8,307
Net cash flow from operating activities	**24,838**	**5,330**

31. COMPARISON TO PROSPECTIVE FINANCIAL STATEMENTS

	Actual 2018 $000	Prospective 2018 $000
a. Revenue	160,271	143,610
Cost of goods sold	(145,320)	(122,771)
Fair value gain on biological transformation	50,309	37,589
Freight costs to market	(15,212)	(13,610)
Gross profit	**50,048**	**44,818**
Other operating income	1,822	-
Sales, marketing and advertising expenses	(10,381)	(9,600)
Distribution overheads	(3,348)	(2,041)
Corporate Expenses	(6,728)	(7,081)
Other expenses	(2,931)	-
Earnings before interest, tax, depreciation and amortisation	**28,482**	**26,096**
Depreciation and amortisation	(5,105)	(5,928)
Finance income	198	312
Finance expenses	(888)	(790)
Profit before tax	**22,687**	**19,690**
Income tax expense	(6,562)	(5,541)
Net profit after tax	**16,125**	**14,149**

Explanation of variances

The fair value gain on biological transformation is higher than the prospective financial information (PFI) due to increases in sales price and average weight at harvest (see note 15). Gross profit is also higher than PFI due to higher sales volumes and price increases. Other operating income primarily relates to a supplier feed rebate included under cost of goods sold in PFI.

b. Prospective statement of financial position

	Actual 2018 $000	Prospective 2018 $000
ASSETS		
Current assets		
Cash and cash equivalents	14,428	647
Trade and other receivables	12,426	12,499
Inventories	16,582	19,575
Biological assets	71,566	64,974
Assets held for sale	-	421
Other financial assets	-	1,475
Derivative financial assets	1,057	96
Total current assets	**116,059**	**99,687**
Non-current assets		
Property, plant and equipment	43,722	44,449
Biological assets	7,888	11,162
Derivative financial assets	1,884	-
Deferred tax asset	2,052	1,343
Intangible assets	5,114	2,954
Goodwill	39,255	39,255
Total non-current assets	**99,915**	**99,163**
TOTAL ASSETS	**215,974**	**198,850**
LIABILITIES		
Current liabilities		
Trade and other payables	13,924	20,460
Employee benefits	3,384	2,433
Borrowings	461	178
Other financial liabilities	46	-
Derivative financial liabilities	1,189	992
Taxation payable	4,902	580
Total current liabilities	**23,906**	**24,643**
Non-current liabilities		
Employee benefits	473	465
Borrowings	10,000	10,089
Deferred tax liabilities	13,995	9,899
Derivative financial liabilities	1,299	-
Total non-current liabilities	**25,767**	**20,453**
TOTAL LIABILITIES	**49,673**	**45,096**
NET ASSETS	**166,301**	**153,754**
EQUITY		
Share capital	122,579	123,334
Reserves	328	(493)
Retained earnings	43,394	30,913
TOTAL EQUITY	**166,301**	**153,754**

Explanation of variances

Cash and cash equivalents are up on PFI due to the higher profit during the PFI period, a reduction in inventory holding cost, and also due to timing of tax payments. This coupled with an increase in the value of biological assets (due to increases in gross margin and average size at balance sheet date) have led to a significant increase in net assets. Trade and other payables are lower than PFI due to timing of capital expenditure, feed purchases and other creditor payments. Deferred tax liabilities were greater than PFI as a result of a combination of these same factors.

c. Prospective statement of changes in equity

	Actual 2018 $000	Prospective 2018 $000
Balance at beginning of period	**158,675**	**144,617**
Issue of shares	61	-
Change in other reserves	(1,467)	288
Total profit for the period	16,125	14,149
Dividends paid	(7,093)	(5,300)
Balance at End of Year	**166,301**	**153,754**
Equity breakdown by component		
Share capital	122,579	123,334
Reserves	328	(493)
Retained earnings	43,394	30,913
Total equity	**166,301**	**153,754**

Explanation of variances

Total equity is higher than PFI due to the higher profit during the PFI period and the movements in cash flow hedge reserve as a result of changes in forward currency contract positions and movements in foreign exchange rates.

d. Prospective statement of cash flows

	Actual 2018 $000	Prospective 2018 $000
Operating Activities		
Receipts from customers	161,212	142,534
Payments to suppliers and employees	(132,482)	(125,966)
Interest received	164	-
Interest paid	(597)	(478)
Feed supplier settlement	150	-
Income tax paid	(3,609)	(4,567)
Net cash flows from operating activities	**24,838**	**11,523**
Investing Activities		
Proceeds from sale of property, plant and equipment	19	-
Purchase of property, plant and equipment	(14,022)	(11,065)
Purchase of intangible assets	(88)	-
Net cash flow from investing activities	**(14,091)**	**(11,065)**
Financing Activities		
Drawdown of revolving loan	124	-
Government grants received	148	-
Gross proceeds from share issue	42	-
Repayment of shareholder advances	(89)	-
Payment of finance lease liabilities	(98)	-
Payment of dividends	(7,093)	(5,300)
Net cash flows from financing activities	**(6,966)**	**(5,300)**
Net increase/(decrease) in cash and cash equivalents	**3,781**	**(4,842)**
Cash and cash equivalents at 1 July	**10,647**	**5,489**
Cash and cash equivalents at 30 June	**14,428**	**647**

Explanation of variances

Receipts from customers are up as a result of increases in harvest value and average sales price vs PFI. Purchases of property, plant and equipment are up on PFI due to timing of capital projects. Payment of dividends are up due to the FY17 1.0 cent per share special dividend.

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEW ZEALAND KING SALMON INVESTMENTS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of New Zealand King Salmon Investments Limited ("the company") and its subsidiaries (together "the group") on pages 64 to 93, which comprise the consolidated statement of financial position of the group as at 30 June 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 64 to 93 present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2018 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Ernst & Young provides taxation services to the company and have performed other assurance services including review of the interim financial statements and performance of agreed upon procedures on sustainability information of the group. Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group. We have no other relationship with, or interest in, the group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.

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VALUATION AND EXISTENCE OF BIOLOGICAL ASSETS

Why significant

At 30 June 2018, the consolidated statement of financial position includes biological assets (live salmon) of $79.5 million with a biomass of 5,391 metric tonnes measured at fair value less costs to sell. This includes a fair value increase above cost of $36.8 million in the carrying amount.

This is a key audit matter because the company's estimation of the fair value of biological assets involves estimation of year end biomass, and a valuation model that relies on significant estimation including:

- period end and future biomass growth to harvest;
- future fish mortalities;
- forecast sale prices;
- costs to harvest date and sale;
- sales product mix, and;
- weight based recognition of the present value of gross margin

The company's disclosures are included in Note 15 to the group financial statements.

How our audit addressed the key audit matter

Our approach to live salmon valuation focused on the following procedures. We:

- evaluated the appropriateness of key estimations and assumptions and their impact on discounted future cash flows;
- tested the mathematical accuracy of discounted cash flow forecasts;
- agreed key estimation inputs used by the company in their model to source data and to board approved budgets;
- involved our valuation specialists in the evaluation and testing of the mathematical logic and accuracy of the calculation in the valuation model and of the discount rate used; and
- challenged the accuracy of model inputs compared to historical actual values and considering the accuracy of previous input forecasts.

Our approach to live salmon existence focused on the following procedures. We:

- agreed a sample of the records of fish transfers to seafarms;
- considered the key inputs used by the company in estimating growth and biomass;
- tested controls over fish quantity and biomass adjustments to the livestock recording system;
- agreed significant quantity and biomass adjustments made by the company in the livestock recording system to source data;
- performed analytical procedures over feed conversion to biomass;
- considered the accuracy of previous internal forecasts of average fish weight, and quantity of fish harvested compared to the livestock recording system; and
- considered the appropriateness, sufficiency, and clarity of biological assets disclosures included in the group financial statements.

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GOODWILL IMPAIRMENT ASSESSMENT

Why significant

At 30 June 2018, the consolidated statement of financial position includes goodwill acquired in business combinations of $39.3 million, assigned to three cash generating units (CGUs).

This is a key audit matter because the annual impairment assessment of goodwill involves significant judgements related to future cash flow forecasts, discount rate and terminal growth rates assumptions.

The company's disclosures are included in Note 17 to the group financial statements.

How our audit addressed the key audit matter

Our approach focused on the following procedures. We:

» evaluated the basis of the group's CGU determination;

» assessed the allocation of goodwill to CGUs;

» evaluated the appropriateness of key assumptions and their impact on estimated future cash flows;

» tested the mathematical accuracy of future cash flow forecasts;

» involved our valuation specialists in assessing the discount rate and terminal growth rate applied;

» agreed inputs used by the company in their model to assess impairment, to board approved budgets, and compared these with historical actual results. We also considered the accuracy of previous internal forecasts;

» performed sensitivity analyses on key future cash flow forecast assumptions, including earnings before interest, tax, depreciation and amortisation; weighted average cost of capital and capital expenditure levels, to understand the impact of reasonably possible changes in key assumptions;

» compared the calculated recoverable values to the associated carrying amounts, and assessed whether any impairment charges were required; and

» considered the appropriateness, sufficiency, and clarity of goodwill disclosures included in the group financial statements.

VALUATION OF SEA FARM RELATED ASSETS

Why significant

At 30 June 2018, the consolidated statement of financial position includes sea farm assets recorded within property, plant and equipment of $24.0 million, and related marine licenses and resource consents recorded within intangible assets of $3.5 million.

This is a key audit matter because the annual assessment of remaining useful lives, amortisation periods and identification of indicators of impairment involves significant judgements related to future sea farm use, marine licence and resource consent renewal and environmental compliance.

The company's disclosures are included in Note 16 and Note 17 to the group financial statements.

How our audit addressed the key audit matter

Our approach focused on the following procedures. We:

» considered the company's assessment of compliance with the resource consents relating to sea farms;

» evaluated the appropriateness of key assumptions used by the company in their assessment of indicators of impairment of property, plant and equipment;

» evaluated the appropriateness of key assumptions used by the company in their determination of remaining useful lives of significant sea farm assets; and

» considered the appropriateness, sufficiency, and clarity of property, plant and equipment and marine licence intangible assets disclosures included in the group financial statements.

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Information other than the financial statements and auditor's report

The directors of the company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report which is expected to be made available to us after the date of this auditor's report.

Our opinion of the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatements therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation in fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) well always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: *https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/*. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Bruce Loader.

Ernst + Young

Chartered Accountants
Christchurch
28 August 2018

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CORPORATE GOVERNANCE

The Board of New Zealand King Salmon Investments Limited (the Company) is committed to ensuring that the Company meets best practice governance principles and maintains the highest ethical standards. This Corporate Governance Statement provides an overview of the Company's governance framework. It is structured to follow the NZX Corporate Governance Code (NZX Code) and disclose practises relating to the NZX Code's recommendations.

The Board's view is that the Company complies with the corporate governance principles and recommendations set out in the NZX Code apart from specific areas noted in this report. The Board believes our governance structures and in particular our remuneration approach meets our strategic objectives. In forming our conclusions we have sought external feedback from shareholders and advisors to challenge our thinking and validate our findings, which we have appreciated.

The corporate governance principles and standards of the Company comply with the:

- » Financial Markets Authority's Corporate Governance in New Zealand Principles and Guidelines.
- » ASX Corporate Governance Principles and Recommendations.
- » NZX and ASX Listing Rules (corporate governance requirements).

The Company's key corporate governance documents referred to in this statement, including charters and policies, can be found on the Company's website, www.kingsalmon.co.nz.

The Company's Corporate Governance Code was reviewed and updated during June 2018 and is reviewed annually. The Company's Corporate Governance Code was approved by the Board on 29 June 2018.

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

RECOMMENDATION 1.1

The Board should document minimum standards of ethical behaviour to which the issuer's Directors and employees are expected to adhere (a Code of Ethics).

Code of Ethics

The Board sets a framework of ethical standards for the Company via its Code of Ethics, which is contained in the Company's Corporate Governance Code. These standards are expected of all Directors and employees of the Company.

The Code of Ethics covers a wide range of areas including the following:

- » Standards of behaviour.
- » Conflicts of interest.
- » Proper use of Company information and assets.
- » Accepting gifts.
- » Delegated authorities.
- » Compliance with laws and policies.

Senior management dealt with two relatively minor incidents during the year to 30 June 2018 where Company assets were used inappropriately. In both situations the incidents were dealt with expeditiously.

Every new Director, employee and contractor is provided with a copy of the Code of Ethics and must confirm that they have read and understand the Code of Ethics. The Code of Ethics is available on the Company's website.

The Code of Ethics is subject to annual review by the Board.

The Company maintains an interests register, on which Directors and executives disclose any interests such as other directorships, shareholdings or ownership, which may potentially lead to conflicts or perceived conflicts of interest.

RECOMMENDATION 1.2

An issuer should have a financial product dealing policy which applies to employees and Directors.

Share trading by Company Directors and Employees

The Board of the Company has implemented a formal procedure to handle trading in the Company's quoted financial products. All Directors, officers, employees, contractors and advisers of the Company and its subsidiaries (together, the Group) must comply with the procedures set out in the Financial Products Trading Policy and Guidelines as detailed in the Company's Corporate Governance Code.

All trading by Directors and senior managers (as defined by the Financial Markets Conduct Act 2013) is required to be reported to NZX and recorded in the Company's securities trading register. A blackout period is imposed for all Directors and employees between the end of the half year and full year and the release to NZX of the result for that period. The policy provides that shares may not be traded at any time by any individual holding material information. The full procedures are outlined in the Securities Trading Policy and Guidelines, which is contained in the Company's Code of Ethics.

In addition to the restrictions outlined above, Directors and the senior managers who held or acquired shares in the Company at the time of listing have entered into escrow arrangements with the Company. Under these arrangements, each escrowed shareholder has agreed not to sell or otherwise dispose of any of the escrowed shares until the first business day after the Company's preliminary announcement has been released to NZX and ASX in respect of its financial results for the year ending 30 June 2018.

PRINCIPLE 2 – BOARD COMPOSITION & PERFORMANCE

To ensure an effective Board, there is a balance of independence, skills, knowledge, experience and perspectives.

Director Independence

The factors the Company takes into account when assessing the independence of its Directors are set out in the NZX Listing Rules and ASX Corporate Governance Principles and Recommendations.

A Director is considered to be independent if a Director is not an executive of New Zealand King Salmon, nor has been within the last five years, and if the Director has no direct or indirect interest or relationship that could reasonably influence the Director's decisions in relation to the Company.

As a result of the formal BetterBoards evaluation undertaken during the year the Board confirms the designation of John Ryder, Paul Steere and Mark Hutton as independent directors. Noting Paul Steere resigned as CEO of NZKS in 2009.

The Board has also determined that the Chairman will be an independent director. It is also intended, in the medium term, to have an equal number of independent directors. The board will continue to assess the appropriate options and opportunities to achieving this goal.

The Board will review any determination it makes on a Director's independence on becoming aware of any new information that may affect that Director's independence. For this purpose, Directors are required to ensure they immediately advise the Board of any new or changed relationship that may affect their independence or result in a conflict of interest.

RECOMMENDATION 2.1

The Board of an issuer should operate under a written charter which sets out the roles and responsibilities of the Board.

Responsibilities of the Board

The Board is the ultimate decision-making body of the Company and appoints the Chief Executive Officer and Managing Director (CEO) to whom it delegates the responsibility of managing day to day operations.

The Board is responsible for setting the strategic direction of the Company, directing the Company and enhancing shareholder value in accordance with good corporate governance principles.

In addition to the duties and obligations of the Board under the Companies Act 1993 (the Act) and the NZX Listing Rules, the functions of the Board include:

- Appointing the CEO.
- Providing counsel to, and reviewing the performance of, the CEO and senior management.
- Reviewing and approving the strategic, business and financial plans prepared by management.
- Monitoring performance against the strategic, business and financial plans.
- Approving major investments and divestments.
- Ensuring ethical behaviour by the Company, Board, management and employees.
- Assessing its own effectiveness in carrying out its functions.

The Board monitors these matters by receiving reports and plans from management and appropriate experts, and by maintaining an active programme of Company site visits.

The Board uses committees to address certain issues that require detailed consideration by members of the Board who have specialist knowledge and experience. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

The Board has a statutory obligation to maintain responsibility for certain matters. It also deals directly with issues relating to the Company's mission, appointments to the Board, strategy, business and financial plans.

Details of the Board's role, composition, responsibilities, operation, policies and committees are provided in the Company's Corporate Governance Code.

RECOMMENDATION 2.2

Every issuer should have a procedure for the nomination and appointment of Directors to the Board.

Director nomination and appointment

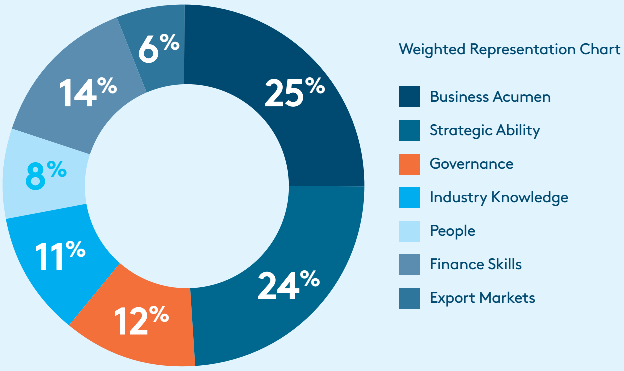
The Board is responsible for appointing Directors. The Nominations and Remuneration Committee manages the appointment process for new Directors and the re-election of existing Directors in order to make a recommendation to the Board. When considering an appointment, the Committee will undertake a thorough check of the candidate and background. Where the Board determines a person is an appropriate candidate, shareholders are notified of that and are provided with all material information that is relevant to the decision on whether to elect or re-elect a Director.

The Nominations and Remuneration Committee also has responsibility for reviewing the composition of the Board to ensure that the Company has access to the most appropriate balance of skills, qualifications, experience, perspectives and background to effectively govern the Company.

During the year the Board has developed a skills matrix setting out the key skills they believe are necessary for governance of the Company. The Board has determined that to operate effectively and to meet its responsibilities it requires competencies in key disciplines covering business acumen, strategic ability, governance, industry knowledge, people, finance skills and export markets.

As detailed in the chart below, the size of each section represents a combination of the skills available and the perceived importance of each of these skills.

Weighted Skills Charts



The skills matrix is used to evaluate whether the collective skills and experience of the Directors meet the Company's requirements both currently and into the future.

The composition of the Board is reviewed to ensure that the Company has access to the most appropriate balance of skills, qualifications, experience, perspectives and background to effectively govern the Company.

A number of areas will be supplemented by on-going director training. The Board noted the range of qualifications, experience, perspectives and background were appropriate at this time. The average tenure of the current directors is 7.5 years.

RECOMMENDATION 2.3

An issuer should enter into written agreements with each newly appointed Director establishing the terms of their appointment.

Letter of appointment

All new Directors enter into a written agreement with the Company setting out the terms of their appointment.

RECOMMENDATION 2.4 AND 2.8

Every issuer should disclose information about each Director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests.

Board of Directors

A profile of each of the Directors is on pages 58 – 59 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

The roles of the Board Chairman, Audit and Finance Committee Chairman, and CEO are not held by the same person.

The Board determines annually on a case-by-case basis on the advice of the Nominations and Remuneration Committee who, in its view, are Independent Directors. The guidelines set out in the NZX Listing Rules (para.3.3.1) are used for this purpose.

Ownership of the Company's shares by Directors is encouraged rather than being a requirement. Directors' ownership interests are disclosed at page 117.

The Board does not have a tenure policy however it recognises that a regular refreshment programme leads to the introduction of new perspectives, skills, attributes and experience.

Director period of appoinment	0-3 years	3-9 years	9 years +
Number of Directors*	3	0	5

**Includes alternate Director*

RECOMMENDATION 2.5

An issuer should have a written diversity policy which includes requirements for the Board or a relevant Committee of the Board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them.

The Company recognises the value in diversity and seeks to ensure that the Board and workforce of the Company are as diverse as the community in which we operate. A formal diversity policy has been adopted by the Board on 29 June 2018 and can be found in the Company's Corporate Governance Code at *https://www.kingsalmon.co.nz/investors/corporate-governance/*.

The Company does recruit, promote and compensate on the basis of merit, regardless of gender, ethnicity, religion, age, nationality or union membership. The Company does require that people in the workplace are treated with respect in accordance with the Company's Human Resource Policy and Way We Work document.

The Board is committed to increasing the level of diversity at Board and executive level where ever possible however no measurable objectives were set for the year ended 30 June 2018. The board is currently reviewing the most appropriate measurable objectives for the year ending 30 June 2019 and will report against its progress in meeting any specific diversity objectives in its 2019 Annual Report.

On 28 March 2018, Carol Chen joined the Board as an Alternate Director for Xin Wang. On 7 June 2018 Nelson Liu replaced Carol Chen as Alternate Director for Xin Wang.

Responsibility for workplace diversity and the setting of measurable objectives is held by the Nominations and Remuneration Committee.

The gender composition of the Company's Board and senior leadership team (SLT) is as follows:

	As at 30 June 2018		As at 30 June 2017	
Position	**Female**	**Male**	**Female**	**Male**
Board*	1 (13%)	7 (87%)	1 (14%)	6 (86%)
Senior Leadership Team	1 (17%)	5 (83%)	1 (17%)	5 (83%)

**Including alternate Directors*

Interests Register

The Board maintains an Interests Register. Any Director with an interest in a transaction with the Company must immediately disclose to the Board the nature, monetary value and extent of the interest. A Director who is interested in a transaction may attend and participate at a Board meeting at which the transaction is discussed but may not be counted in the quorum for that meeting or vote in respect of the transaction, unless it is one in respect of which Directors are expressly required by the Companies Act 1993 to sign a certificate.

Particulars of entries made in the Interests Register for the year ended 30 June 2018 are included in the Director Disclosures section on pages 116.

RECOMMENDATION 2.6

Directors should undertake appropriate training to remain current on how to best perform their duties as Directors of an issuer.

Director Training

The Board does ensure that there is appropriate training available to all Directors to enable them to remain current on how best to discharge their responsibilities and keep up to date on changes and trends in areas relevant to their work. Directors are provided with industry information and receive copies of appropriate company documents to enable them to perform their role. The Board has allocated funding of $1,000 per annum for each Director to provide resources to help develop and maintain skills and knowledge.

Directors are expected to maintain their knowledge of latest governance and business practices in order to perform their duties.

The Board also ensures that new Directors are appropriately introduced to Management and the businesses.

RECOMMENDATION 2.7

The Board should have a procedure to regularly assess Director, Board and Committee performance.

Board Performance Evaluation

The Board annually assesses its effectiveness in carrying out its functions and responsibilities. The Chairman of the Board leads the review and evaluation of the Board as a whole, and of the Board Committees, against their charters. The Chairman of the Board also engages with individual Directors to evaluate and discuss performance and professional development

During the year the Board undertook the Institute of Directors' BetterBoard evaluation. This provided the opportunity for a formal review of Board operations to ensure best practise was being followed. Several of the conclusions of the BetterBoard evaluation are noted in this report and have been implemented, particularly in relation to the newly implemented structure of Board committees and nominated participates.

PRINCIPLE 3 – BOARD COMMITTEES

The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

Board Committees

The Board formally reconstituted three committees in June 2018: the existing Nominations and Remuneration Committee, the reformed Audit and Finance Committee and the new Health, Safety and Risk Committee. Each committee focuses on specific areas of governance and together they strengthen the Board's oversight of the Company. Committee membership is reviewed annually.

Each Committee has a written charter that is approved by the Board and sets out its mandate. The charters are reviewed annually with any proposed changes recommended to the Board for approval. The charters can be found within the Company's Corporate Governance Code.

Annually each Committee agrees a programme of matters to be addressed over the following 12 month period. The Committees each annually review their performance against the Committee charter and objectives for the year and report their findings to the Board.

Attendance at Meetings

The table below sets out Director attendance at Board and Committee meetings during the year ended 30 June 2018.

Director	Board	Audit & Finance Committee	Nominations and Remuneration Committee	Health, Safety and Risk Committee*
John Ryder *(Chair)*	8/9	-	-	-
Mark Hutton *(Chair of Nominations & Remuneration Committ)*	9/9	3/3	3/3	-
Jack Porus	9/9	-	3/3	-
Thomas Song	9/9	3/3	-	-
Paul Steere *(Chair Audit & Risk Committee in FY18)*	9/9	3/3	3/3	-
Xin Wang	5/9	-	-	-
Nelson Liu *(Appointed 6 June 2018)*	-	-	-	-
Carol Chen (*Appointed 28 March 2018, Resigned 6 June 2018)*	2/2	-	-	-
Grant Rosewarne *(Executive Director)*	9/9	-	-	-

**First meeting to be held during October 2018.*

RECOMMENDATION 3.1

An issuer's Audit Committee should operate under a written charter. Membership on the Audit and Finance Committee should be a majority of independent Directors and comprise solely of non-executive Directors of the issuer. The Chair of the Audit and Finance Committee should not also be the Chair of the Board.

Audit and Finance Committee

The primary function of the Audit and Finance Committee is to assist the Board in fulfilling its oversight responsibilities relating to the Company:

- » To oversee the financial reporting and continuous disclosure processes to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control and disclosure maintains integrity, transparency and adequacy.
- » To provide the Board with an independent assessment of the Company's financial position and accounting affairs.
- » To oversee the Company's capital and treasury risk management.

The members of the reformed Committee are all independent non-executive directors, all with accounting and financial background. The members are Mark Hutton (Chair), Paul Steere and John Ryder. The Chairman of the Audit and Finance Committee and the Board Chairman are different people.

The Audit and Risk Committee held three meetings during the period ended 30 June 2018 and the members were Paul Steere (Chair), Mark Hutton and Thomas Song. The agenda items for each meeting generally relate to financial governance, external financial reporting, external audit, internal controls and processes, and compliance.

RECOMMENDATION 3.2

Employees should only attend Audit Committee meetings at the invitation of the Audit Committee.

Meeting Attendance

The CEO and Chief Financial Officer (CFO) are regularly invited to attend Audit and Finance Committee meetings. The committee also regularly holds private sessions of the committee and external auditors with management excluded.

RECOMMENDATION 3.3 AND 3.4

An issuer should have a Remuneration Committee which operates under a written charter.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee's role is to assist the Board by:

- Establishment of a clear framework for oversight and management of the Company's remuneration structure, policies, procedures and practices to ensure the Company remuneration is fair and reasonable.
- Defining the roles and responsibilities of the Board and senior management.
- Reviewing and making recommendations on Board composition and succession.

In particular, the Nominations and Remuneration Committee's role is to ensure that the Board is balanced in terms of skills and knowledge and to ensure that the method of nomination and appointment of Directors is transparent.

Under the Nominations and Remuneration Committee Charter, the Committee shall comprise of, where ever possible, a majority of independent Directors.

The current members of the Committee are Mark Hutton (Chair), Paul Steere (both of whom are independent non-executive Directors) and Jack Porus (nominated as a Director by Oregon Group Limited and thus not independent).

The Committee held three meetings during the year ended 30 June 2018.

RECOMMENDATION 3.5

An issuer should consider whether it is appropriate to have any other Board Committees as standing Board Committees. All Committees should operate under written charters.

Health, Safety and Risk Committee

The Company has since 2015 operated a management Health & Safety Steering Group, generally meeting quarterly and with attendance by a Board Director.

The Board's commitment to ensuring a safe and healthy workplace for team members, contractors and visitors has now led to it establishing a Health, Safety and Risk Committee during June 2018.

The primary functions of the Health, Safety and Risk Committee are:

- To assist the Board to provide leadership and policy for health and safety.
- To assist the Board to fulfil its responsibilities and to ensure compliance with all legislative and regulatory requirements in relation to the health and safety practices of the Company as those activities affect employees and contractors.
- To support the ongoing improvement of health and safety in the workplace.
- Ensure and overview the identification of risk to the Company's operations, both financial and non-financial, the mitigation measures in place and such further measures to be enacted so risk is managed to as satisfactory a level as practical.

The nominated members of the new Committee are Paul Steere (Independent Chair) and Thomas Song (nominated as a Director by Oregon Group Limited and thus not independent).

RECOMMENDATION 3.6

The Board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer.

Takeover Protocols

The Board has documented and adopted a series of protocols to be followed in the event of a takeover offer being made, including communication between insiders and any bidder.

It is proposed the reformed Audit and Finance Committee will oversee the protocols and act as the takeover committee, assuming there are no related parties. The Committee would have responsibility for managing any takeover offer in accordance with the Board protocols and the New Zealand Takeovers Code.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosure.

RECOMMENDATION 4.1

An issuer's Board should have a written continuous disclosure policy.

Shareholder Communications and Market Disclosure

The Company's Board is committed to the principle that high standards of reporting and disclosure are essential for proper accountability between the Company and its investors, employees and stakeholders.

The Company achieves these commitments, and the promotion of investor confidence, by ensuring that trading in its shares takes place in an efficient, competitive and informed market. The Company has in place a written Shareholder Communications and Market Disclosure Policy designed to ensure this occurs. The policy includes procedures intended to ensure that disclosure is made in a timely and balanced manner and in compliance with the NZX Listing Rules, such that:

- All investors have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance.
- Company announcements are factual and presented in a clear and balanced way.

The Company is committed to the promotion of investor confidence by ensuring that the trading of Company shares takes place in an efficient, competitive and informed market. The CFO is responsible for the Company's compliance with NZX and ASX continuous disclosure requirements and the Board is advised of, and considers, continuous disclosure issues at each Board meeting or whenever else required.

Significant market announcements, including the preliminary announcement of the half year and full year results, the financial statements for those periods, and any advice of a change in earnings forecast are approved by the Board.

Directors consider at each Board meeting whether there is any material information which should be disclosed to the market.

RECOMMENDATION 4.2

An issuer should make its Code of Ethics, Board and Committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

Governance Policies and Charters

The Company's key corporate governance documents, including charters and policies, can be found at *https://www.kingsalmon.co.nz/investors/corporate-governance*.

RECOMMENDATION 4.3

Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks.

Financial and Non-Financial Reporting

The Board is responsible for ensuring the integrity and timeliness of its financial reporting. As noted above under 'Board Committees', the Audit and Finance Committee monitors financial reporting risks in relation to the preparation of the financial statements.

The Audit and Finance Committee, with the assistance of management, works to ensure that the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Audit and Finance Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness, balance and timeliness of financial statements. It reviews half-year and annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with financial reporting standards, stock exchange and legal requirements, and the results of the external audit. All matters required to be addressed and for which the Committee has responsibility were addressed during the period under review.

All interim and full-year financial statements are prepared in accordance with relevant financial standards.

Both financial and non-financial disclosures are made at least annually, including reporting of material exposure to environmental, economic and social sustainability risks and other key risks. The Company has a strategic target to develop best-in-class sustainability reporting and to measure and report on key sustainability aspects affecting its businesses.

The Company's Sustainability Report for 2018 is included in this report at pages 18–19, and provides details of the continuing growth and improvements in the Company's initiatives in this area. The Company-wide report draws on 5 of the United Nations' Sustainable Development Goals focusing on the food sector and aquaculture industry both nationally and globally. The five Goals being focused on are: decent work and economic growth, climate action, good health and well-being, responsible consumption and production, and life below water.

PRINCIPLE 5 – REMUNERATION

The remuneration of Directors and senior management should be transparent, fair and reasonable.

Remuneration Report Introduction

This Remuneration Report outlines the Company's overall reward strategy for the year ended 30 June 2018 and provides detailed information on the remuneration arrangements in this period for the Directors of the Company, including the CEO, and other nominated executives.

The Company's Remuneration Policy, which may be amended from time to time, is reviewed at least once a year. The Company has also established a number of additional policies to support a strong governance framework and uphold ethical behaviour and responsible decision making.

Remuneration Policy

The Nominations and Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages for Directors, the CEO and nominated executives. The primary objectives of the Remuneration Policy are to provide a competitive and flexible structure that reflects market practice but is tailored to the specific circumstances of the Company and which reflects each person's duties and responsibilities to attract, motivate and retain people of the appropriate quality. This includes the company responsibility to monitor diversity and ensure pay equity.

The Nominations and Remuneration Committee reviews market data on remuneration structure and quantum. The remuneration packages of the CEO and nominated executives are structured to include a Short Term Incentive Scheme (STI Scheme) that is directly linked to the overall financial and operational performance of the Company. The CEO and nominated executives may also be invited to participate in the Company's Long Term Incentive Scheme (LTI Scheme). The long-term benefits of the LTI Scheme are currently solely conditional upon the Company share price meeting certain performance criteria, details of which are outlined below.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director remuneration is separate and distinct from the remuneration of the CEO and other executives.

Components of Compensation - Non-Executive Directors

a) Remuneration

The Board seeks to set aggregate remuneration for non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

No remuneration is payable to non-executive Directors unless it is approved by the Company's shareholders. The NZX Listing Rules specify that shareholders can approve a per Director remuneration amount or an aggregate Directors' fee pool. Shareholders approved an aggregate fee pool of $465,000 at the November 2017 Annual General Meeting and no adjustment will be sought at the 2018 Annual Meeting.

The aggregate remuneration paid to non-executive Directors and the manner in which it is apportioned amongst Directors is reviewed annually, with any proposed increase in the aggregate pool put to shareholders for approval at the Company's next Annual Shareholders Meeting. The Board reviews its fees to ensure the Company's non-executive Directors are fairly remunerated for their services, recognising the level of skill and experience required to fulfil the role and to enable the Company to attract and retain talented non-executive Directors. The process involves benchmarking against a group of peer companies. In addition the Board reviews the Committee structure and appropriate level of resourcing required to make an on-going contribution to long term value creation. During the year the Board made changes to the committee structure including the formation of the Health, Safety and Risk Committee, bringing an additional focus to an area considered to be a key driver for the Company.

Non-executive Directors have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes. This policy reflects the differences in the role of the non-executive Directors, which is to provide oversight and guide strategy, and the role of management, which is to operate the business and execute the Company's strategy. Non-executive Directors are encouraged to be shareholders, but are not required to hold shares in the Company.

Each non-executive Director receives a fee for services as a Director of the Company. An additional fee is also paid for being a member of the Board's Nominations and Remuneration Committee, Audit and Finance Committee, and Health, Safety & Risk Committee. The payment of an additional fee recognises the additional time commitment required by Directors who serve on those committees. Directors are also entitled to be reimbursed for costs associated with carrying out their duties.

Annual fees paid to the non-executive Directors of the Company for the period 1 July 2017 to 30 June 2018 were as follows:

		Fees for serving on Committees		Total
Director	**Base Fee**	**Audit & Risk Committee**	**Nominations and Remuneration Committee**	**Base & Committee fees**
John Ryder *(Chair)*	$99,750	-	-	$99,750
Mark Hutton	$56,375	$5,125	$6,250	$67,750
Jack Porus	$56,375	-	$3,125	$59,500
Thomas Song	$56,375	$5,125	-	$61,500
Paul Steere	$56,375	$10,250	$3,125	$69,750
Xin Wang	$56,601	-	-	$56,375

Remuneration of CEO and Executives

The number of employees of the Company (including former employees), not being Directors, who received remuneration and other benefits in excess of $100,000 in the period 1 July 2017 to 30 June 2018 is set out in the remuneration bands detailed below:

	Number of employees	
Remuneration	**FY18**	**FY17**
$100,000 to $109,999	9	5
$110,000 to $119,999	7	3
$120,000 to $129,999	2	7
$130,000 to $139,999	6	3
$140,000 to $149,999	3	4
$150,000 to $159,999	1	3
$160,000 to $169,999	1	-
$170,000 to $179,999	2	1
$220,000 to $229,999	-	1
$230,000 to $239,999	1	1
$240,000 to $249,999	1	1
$260,000 to $269,999	1	-
$300,000 to $309,999	-	1
$330,000 to $339,999	1	-
$440,000 to $449,999	1	1
$490,000 to $499,999	-	1

** Includes redundancy payments, other prescribed fringe benefits and the option value of LTI Scheme shares*

As set out in further detail below, the total remuneration and value of other benefits paid to the CEO (including under the STI Scheme and LTI Scheme detailed below) for the year ended 30 June 2018 was $695,955 (2017: $764,028).

Components of Compensation – CEO and Other Nominated Executives

b) Structure

The Company aims to reward the CEO and nominated executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, so as to:

» Reward them for Company, performance against targets set by reference to appropriate benchmarks and key performance indicators.
» Align their interests with those of shareholders.
» Ensure total remuneration is competitive by market standards.

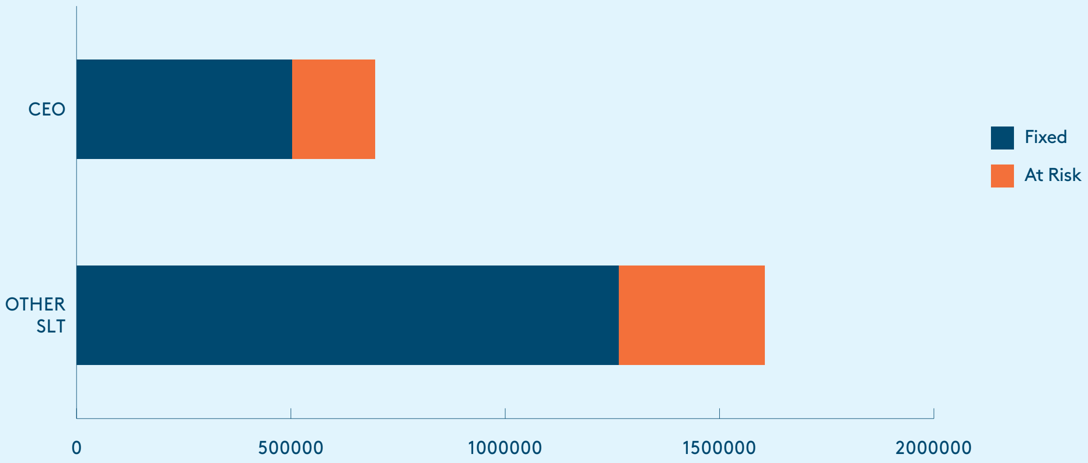
Remuneration consists of both fixed and variable remuneration components. The variable remuneration component comprises the STI Scheme and the LTI Scheme.

The proportion of fixed remuneration and variable remuneration is established for the CEO and for each nominated executive by the Board, following recommendations from the Nominations and Remuneration Committee and the CEO (in the case of the nominated executives only).

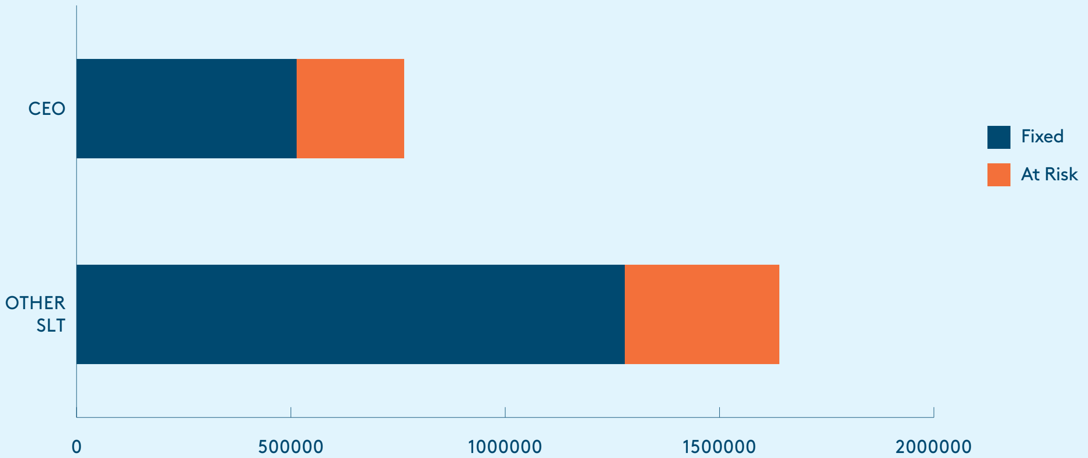
The remuneration packages for the CEO and nominated executives are all subject to Board approval. There were no material changes to the remuneration structures or targets for the 2018 year.

The mix of fixed versus variable 'at risk' remuneration payable in respect of 2018 versus 2017 was as follows:

Fixed vs At Risk Remuneration FY 2018



Fixed vs At Risk Remuneration FY 2017



i) Fixed annual remuneration

Remuneration levels are reviewed annually to ensure that they are appropriate for the responsibility, qualifications and experience of the CEO and each nominated executive and are competitive with the market. In addition the overall mix of variable compensation and their terms are also considered when setting and/or reviewing fixed remuneration.

The CEO and nominated executives receive their fixed annual remuneration in cash and a limited range of prescribed fringe benefits such as superannuation, motor vehicle and health insurance. The total employment cost of any remuneration package, including fringe benefit tax, is taken into account in determining an employee's fixed annual remuneration.

For the financial year ended 30 June 2018, the CEO received $502,520 in fixed annual remuneration. By comparison, the CEO received $512,371 in fixed annual remuneration for the financial year ended 30 June 2017.

ii) Variable remuneration – STI Scheme

The objective of the STI Scheme is to link the achievement of the annual financial and operational targets with the remuneration received by the executives charged with meeting those targets. The total potential remuneration under the STI Scheme is set at a level so as to provide sufficient incentive to the executive to achieve the targets such that the cost to the Company is flexible and in line with the trading outcome for the year.

Actual STI Scheme payments granted to the CEO and each nominated executive depend on the extent to which specific targets set at the beginning of the year are met. The target for 2017 and 2018 are directly related to achieving the pro-forma operating EBITDA result detailed in the PDS.

In future the targets may include a weighted combination of:

- At least 60% for meeting budget or target pro-forma operating EBITDA for the Group.
- Up to 30% for meeting budget or target asset efficiency measures such as Return on Capital Employed for the Group.
- Any balance for strategic objectives and other contributions.

The Nominations and Remuneration Committee considers the performance against the targets and determines the amount, if any, to be allocated to the CEO and nominated executives. STI Scheme payments are delivered as a taxable cash bonus and are payable on completion of the annual audited financial statements.

It should be noted that the level of remuneration detailed in this report for the CEO includes the STI bonus actually paid in 2018 relating to performance in the 2017 financial year. The total cost for the CEO and other nominated executives of the STI Scheme for 2017 was $412,249 and the total accrual for 2018 is $357,385.

The CEO received $115,697 in STI Scheme payments in 2018 relating to performance in the 2017 financial year and the total accrual for 2018 is $117,664.

STI Scheme payment values are set as a percentage of base cash remuneration, being 30% for the CEO and 25% for the other nominated executives for the financial year ended 30 June 2018. For the financial year ended 30 June 2018 there were six executives in the STI Scheme, unchanged from the 2017 year.

In addition to the STI Scheme the Board reserves the ability to pay ad hoc bonus payments to any employee, again either directly related to the trading outcome or a specific performance target. For the financial year ended 30 June 2018, there were no ad hoc bonus payments to the CEO or other nominated executives (in 2017, $192,000 was paid to the CEO and other nominated executives, relating to the IPO, of which the CEO received $87,000).

iii) Variable remuneration – LTI Scheme

The LTI Scheme has been designed to link reward with key performance indicators that drive sustainable growth in shareholder value over the long term. The objectives of the LTI Scheme are to:

- Align the CEO and nominated executives' interests with those of shareholders.
- Help provide a long term focus.
- Retain high calibre senior employees by providing an attractive equity-based incentive that builds an ownership of the Company mindset, encouraging executives to think and act like owners.

The hurdle rate used for the LTI scheme is an absolute share price growth hurdle, which is more challenging over time than a relative TSR approach. This approach only rewards executives if the shareholders also do well.

Under the LTI Scheme, the CEO and nominated executives are offered an interest free loan which is to be applied to acquire shares in the Company. Shares acquired under the LTI Scheme are held by a custodian and will only vest to the employee if he or she is still employed by the Company after three years from the date of issue. All dividends paid during this period are offset against the loan balance. Once the shares vest, the employee still remains obligated to repay the outstanding balance of the loan. If an employee leaves employment before the expiry of the three year period, the custodian may exercise a call option to have the employee's beneficial interest in the shares transferred to it in consideration of the custodian taking the balance of the loan. Any shares so transferred can be used for future grants or alternatively the custodian is authorised to sell that employee's shares with the proceeds applied to repay the balance of the loan, with any deficit covered by the Company and any surplus retained by the Company.

Although performance rights are the most prevalent LTI instrument in Australasia the company believes the issue of shares and loans is more relevant for NZKS. The structure is well understood by executives and more closely aligns to the security held by shareholders. In addition the economic return achieved by executives is more challenging under the current terms.

Each employee's loan amount (which determines how many shares will be acquired) is set as a percentage of their base salary and selected employees will be offered a loan for this amount if the criteria set by the Board are met. For the first three years of the LTI Scheme from 2016, the criterion has been the achievement of a compounding gross Total Shareholder Return of 12.5% (including all distributions) over the reference share price of $1.12, for those executives who joined the scheme at the initial issue at the time of the IPO in October 2016, and $1.77 for those who joined the scheme in September 2017. The reference share price for any new participants will be set at the time of joining the scheme.

An offer may be made under the LTI Scheme to the CEO and nominated executives each financial year and is based on individual performance as assessed by the annual appraisal process. If an executive does not sustain a consistent level of high performance they will not be nominated for participation in the LTI Scheme. The Nominations and Remuneration Committee reviews all nominated executives, with participation in the LTI Scheme subject to final Board approval. The Board has retained the discretion to vary the applicable criteria for each offer under the LTI Scheme. Once the Board has fixed the criteria for a specific offer under the LTI Scheme, those performance hurdles cannot be varied in respect of that offer.

A total of 993,671 shares were allocated in establishing the LTI Scheme at the time of IPO in October 2016, with matching interest free loans of $1,112,911, being an issue price of $1.12 per share. Of this total the CEO received 308,880 shares.

A further 317,515 shares were allocated in September 2017, being 270,274 at an issue price of $1.22 per share (being a 12.5% Total Shareholder Return over the initial $1.12 IPO share price, of which the CEO received 94,833 shares) along with matching interest free loans of $329,734, and 47,241 shares at an issue price of $1.77 per share to new nominated executives, along with matching interest free loans of $83,617.

During the year, a number of employees left the Company, resulting in the forfeiture of 215,738 shares, the consequent exercise of call options and redemption of gross loans of $244,747.

As at 30 June 2018, the CEO holds 403,713 shares under the LTI Schemes, which have not yet vested. There is a total of $439,757 in loans outstanding relating to those shares, after applying dividends paid by the Company, to reduce the loan balances.

LTI Scheme loan amounts are set as a percentage of base cash remuneration, being 30% for the CEO and between 5% and 20% for other nominated executives in respect of the financial year ended 30 June 2018. As at ended 30 June 2018, there were 40 nominated executives in the LTI Scheme, compared with 24 as at 30 June 2017.

If performance hurdles are achieved a further 311,101 shares will be issued under the LTI Scheme relating to the financial year ended 30 June 2018. The CEO's entitlement is for 90,510 shares.

iv) Senior Executive Share Ownership Scheme

The CEO and certain other executives were participants in an executive share ownership scheme prior to the IPO, in which participants have been provided with an interest free loan of up to 200% of the amount which the senior executive invests in the Company. At the time of the IPO 3,176,878 shares were held by executives via the Ownership Scheme, partly funded by interest free loans of $1,287,500. The CEO holds 1,937,170 shares under the Ownership Scheme, supported by a loan of $700,000.

These shares which have been subject to sale restrictions since the IPO were released from escrow on announcement of the 2018 financial results. Also during the year, one executive holding 114,714 shares left the scheme, as a consequence repaying the related loan of $46,875.

Shares held by the CEO and nominated executives

The total numbers of shares allocated under the Senior Executive Share Ownership Scheme and LTI Schemes as at 30 June 2018 are as follows:

It should be noted under the relevant accounting standards the loans granted to participants in both the Executive Share Ownership Scheme

	Allocation Date	Vesting Date	Number of Shares				
Scheme			Balance at start of year	Granted during the year	Vested during the year	Lapsed or transferred during the year	Balance at the end of the year
Senior Executive Share Ownership Scheme	Various 2011-2016	29 August 2018	3,176,878	-	-	114,714	3,062,164
LTI IPO Scheme	19 October 2016	19 October 2019	993,671	-	-	202,714	790,957
LTI 2017 Scheme	29 September 2017	1 September 2020	-	317,515	-	13,024	304,491
			4,170,549	**317,515**	**-**	**330,452**	**4,157,612**

and LTI Schemes participants are not recorded on the company balance sheet.

As at the end of the financial year ended 30 June 2018, the total balance owing under the loans advanced to the CEO under the Senior Executive Share Ownership Scheme and the LTI Schemes was $1,139,757 (2017: $1,040,197).

Under accounting standard IFRS 2 Share Based Payments, as the LTI shares are classified as options, the total cost of each annual allocation is spread across the three years of the vesting period from the date of issue.

As a result the total expense recorded in the Statement of Comprehensive Income for the financial year ended 30 June 2018 is $262,784 (2017: $142,206) including $128,750 (2017: $77,738) incurred for the CEO. The total cost relating to each financial year will include the pro rata share of several allocations.

The total annual cost of the LTI scheme relating to shares issued from 2016 and 2017 is detailed below:

Allocation Date of Shares	Scheme	Allocation Cost at Grant Date	P&L Amortisation
Various 2011-2016	Senior Executive Share Ownership Scheme	$1,287,500	$160,654
19 October 2016	LTI IPO Scheme	$1,112,911	$42,816
29 September 2017	LTI 2017 Scheme	$413,351	$59,340

It should be noted the table above records the accounting cost to the company. It does not relate to the economic benefit received by the executive, which is directly linked to the share price movement over the vesting period.

Employee Share Ownership Scheme

At the time of the Company's initial public offering, it established an Employee Share Ownership Scheme to facilitate an increase in the level of participation by employees as shareholders, which improves the alignment of interests between employees and shareholders. Under the scheme, each eligible employee was offered an interest free loan up to $5,000 to fund 50% of the subscription price for the shares which employee wished to acquire in the Company. Employees are obliged to repay their loans when the shares are sold or when they leave the Company.

A total of 187,076 shares were issued at the time, supported by loans of $104,762 from the Company. During the period, employees holding 20,538 shares have left the Company, and a further 3,982 shares have been sold by current employees, resulting in repayment of $13,731 of loans. As at 30 June 2018, the following shares were held by employees under the Employee Share Ownership Plan:

	Allocation Date	Vesting Date	Number of Shares		
Scheme			Balance at start of year	Sold during the year	Balance at the end of the year
Employee Share Ownership Plan	19 October 2016	19 October 2016	187,076	24,520	162,556

PRINCIPLE 6 - RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board regularly verifies that the issuer has appropriate processes that identify and manage potential and material risks.

RECOMMENDATION 6.1

An issuer should have a risk management framework for its business and the issuer's Board should receive and review regular reports.

Risk Management Framework

The Board is responsible for ensuring that key business and financial risks are identified, and that appropriate controls and procedures are in place to effectively manage those risks.

The newly formed Health, Safety and Risk Management Committee has overall responsibility for ensuring that Company's risk management framework is appropriate and that it appropriately identifies, considers and manages risks.

Risk management is an integral part of the Company's business. A risk management framework incorporating a risk register is used to identify those situations and circumstances in which the Company may be materially at risk and for which risk mitigation activities are appropriate. This approach is intended to provide a comprehensive, company-wide awareness of risk in senior management, supported by a consistent method of identifying, assessing, controlling, monitoring and reporting existing and potential risks to the Company's business.

The Company has designed and implemented a risk framework for the oversight and management of financial and non-financial business risks, as well as related internal compliance systems that are designed to:

» Team members and contractors work in a safe and healthy working environment.
» Optimise the return to stakeholders whilst also protecting their interests.
» Safeguard the Company's assets, biological assets and the environment.
» Maintain food quality standards and product quality.
» Fulfil the Company's strategic objectives.
» Manage the financial and non- financial risks associated with the business.

The Board has delegated responsibility to the Health, Safety & Risk Committee to establish and regularly review the Company's risk management framework. As part of this framework the Committee is tasked with identifying situations and circumstances in which the Company may be materially at risk, and initiating appropriate action through the Board or CEO. A risk management policy is overseen by the CEO and supports a comprehensive approach to the management of those risks identified as material to the Company's operations. Risk management is a standing item on the agenda for Health, Safety & Risk Committee meetings, with detailed reports provided by senior management.

The CEO and CFO have provided the Board, through the Audit and Finance Committee, with assurances that, in their opinion, financial records have been properly maintained, that the financial statements comply with those accounting standards under which the Company must report and that the statements give a true and fair view of the Company's financial position and performance. These representations are given on the basis that a sound system of internal controls and risk management is operating effectively in all material respects in relation to financial reporting.

In managing the Company's business risks, the Board approves and monitors policy and procedures in areas such as treasury management, financial performance, taxation and delegated authorities.

Insurance

The Company has insurance policies in place covering most areas where risk to its assets and business can be insured at a reasonable cost.

RECOMMENDATION 6.2

An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.

Health and Safety

The Board and management are committed to promoting a safe and healthy working environment for everyone working in, or interacting with, the Company. The Company strives for continuous improvement that takes us beyond compliance in health, safety and wellness. This includes the reviewing of our health and safety policy statement as well as the systems and processes that support our safety objectives.

The Company's Health, Safety & Risk Committee Charter creates a shared responsibility for all our team members and contractors to so far as reasonably practicable take all steps in providing a working environment that promotes health and wellbeing. Effective controls based on industry knowledge and best practice guidelines inform and support our risk management across all areas of the business.

The Company uses a risk-based approach, having identified a number of critical risk areas, being:

- Maritime operations
- Fire, electricity and natural events
- Heights and lifting
- Confined spaces
- Mobile plant and equipment
- Construction activity

Each of these critical risk areas has initiatives designed to eliminate, isolate or minimise risk.

The Company uses a combination of leading and lagging performance measures in health and safety. One of these measures is Lost-Time Injury Frequency Rate (LTIFR). Our current LTIFR performance reflects the commitment and effort the business has dedicated to health and safety, with a 1% increase over the last 12 months. The relative severity of LTIFR in days lost has reduced from 10 days to 5.5 days over the past 12 months.

Further information is included in the Sustainability Report at pages 18-19.

PRINCIPLE 7 – AUDITORS

The Board should ensure the quality and independence of the external audit process.

RECOMMENDATION 7.1 AND 7.2

The Board should establish framework for the issuer's relationship with its external auditors.

The external auditor does attend the issuer's Annual Shareholders Meeting to answer questions from shareholders in relation to the audit.

External Auditor

The Company's Audit and Finance Committee is responsible for oversight of the Company's external audit arrangements to safeguard the integrity of financial reporting. The Company maintains an External Auditor Independence Policy to ensure that audit independence is maintained, both in fact and appearance.

The policy covers the following areas:

- Appointment of the external auditor.
- Provision of other assurance services by the external auditor.
- Pre-approval process for the provision of other assurance services.
- External auditor lead and engagement partner rotation.
- Hiring of staff from the external auditor.
- Relationships between the external auditor and the Company.
- Reporting on fees and non-audit work.

The role of the external auditor is to audit the financial statements of the Company in accordance with applicable auditing standards in New Zealand and to report on its findings to the Board and shareholders of the Company.

The External Auditor Independence Policy is available in the Corporate Governance Code which is available on the Company's website at *https://www.kingsalmon.co.nz/investors/corporate-governance/*.

Ernst & Young is the Company's current external auditor. Bruce Loader is the current audit engagement partner, in his second year following a partner rotation after the 2016 audit. Fees paid to Ernst & Young are included in note 29 of the notes to the financial statements.

Both the Company's Audit and Finance Committee Charter and the External Auditor Independence Policy require the external auditor to be independent, recognising the importance of facilitating frank dialogue between the Audit and Finance Committee, the auditor and management. The External Auditor Independence Policy requires that the audit partner is rotated after a maximum of five years.

The Audit and Finance Committee Charter requires the Committee to facilitate the continuing independence of the external auditor by assessing the external auditor's independence, qualifications, overseeing and monitoring their performance. This involves monitoring all aspects of the external audit, including the appointment of the auditor, the nature and scope of its audit and reviewing the auditor's service delivery plan.

The auditor has been invited to attend the Annual Shareholders' Meeting and will be available to answer questions about the audit process and the independence of the auditor.

RECOMMENDATION 7.3

Internal audit functions should be disclosed.

Internal Audit

The Company does not have an internal audit function. However, the Company does have a quality and compliance team dedicated to food hygiene in relation to the processing of harvested fish through to finished goods that are dispatched to the end customer. The management Health and Safety Steering Group has overseen internal safety audits throughout the farming and manufacturing process. The Health, Safety and Risk Committee will now oversee this function. The objective of the quality and compliance team is to enhance and protect the organisational value of the Company by providing risk-based and objective assurance.

Where necessary, external expertise is obtained for specific audit activities.

Independent Professional Advice

With the approval of the Audit and Finance Committee, Directors are entitled to seek independent professional advice on any issue related to the fulfilment of his or her duties, at the Company's expense.

PRINCIPLE 8 – SHAREHOLDER RELATIONS

The Board should respect the rights of shareholders and foster constructive relationship with shareholders that encourage them to engage with the issuer.

RECOMMENDATION 8.1

An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

Shareholder Relations

The Company is committed to maintaining a full and open dialogue with its shareholders and other stakeholders. Annual and interim reports, NZX releases, governance policies and charters and a variety of corporate information is posted onto the Company's website.

The Company's preference is for electronic communications in the interests of sustainability and efficiency, however each shareholder is entitled to receive a paper copy of each annual and interim report.

The Company has an Annual Meeting page in the Investors section on its website. Documents relating to meetings are available.

Shareholder meetings will be held at a time and location to encourage participation in person by shareholders. Annual meetings are currently held in the Nelson/Marlborough region, reflecting the head office and production locations for the Company.

The Company's website includes a range of information relevant to shareholders and others concerning the operation of the Company, including information about the sites we operate, Aquaculture Best Management Practices (BMP), certifications, our brands and the corporate governance policies of the Company.

RECOMMENDATION 8.2

An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.

Electronic Communications

Shareholders have the option of receiving their communications electronically.

Contact details for the Company's head office are available on the website.

RECOMMENDATION 8.3

Shareholders should have the right to vote on major decisions which may change the nature of the company in which they are invested in.

Major Decisions

Directors' commitment to timely and balanced disclosure is set out in its Shareholder Communications and Market Disclosure Policy and includes advising shareholders on any major decisions. Where voting on a matter is required the Board encourages investors to attend the meeting or to send in a proxy vote. Shareholders may raise matters for discussion at the Annual Shareholders' Meeting either in person or by emailing the Company with a question to be asked.

RECOMMENDATION 8.4

Each person who invests money in a company should have one vote per share of the company they own equally with other shareholders.

Voting

The Company conducts voting at its Annual Shareholder Meetings by way of poll and on the basis of one share, one vote.

RECOMMENDATION 8.5

The board should ensure that the annual shareholders notice of meeting is posted on the issuer's website as soon as possible and at least 28 days prior to the meeting.

Notice of Meeting

The Company's Notice of Meeting will be available at least 28 days prior to the meeting on the Shareholder Meetings page in the Investors' section of the website.

DIRECTOR DISCLOSURES

The following persons were Directors of New Zealand King Salmon Investments Limited and its subsidiaries during the year ended 30 June 2018:

	John Ryder	Mark Hutton	Jack Porus	Thomas Song	Paul Steere	Xin Wang	Nelson Liu*	Grant Rosewarne	James V. Kilmer	Justin Reynolds
New Zealand King Salmon Investments Limited	✓	✓	✓	✓	✓	✓	✓	✓		
New Zealand King Salmon Co. Limited	✓	✓	✓	✓	✓			✓		
New Zealand King Salmon Exports Limited					✓			✓		
New Zealand King Salmon USA Incorporated					✓			✓	✓	
New Zealand King Salmon Pty Limited					✓			✓		✓
NZKS Custodian Limited	✓	✓	✓	✓	✓					
King Salmon Limited					✓			✓		
MacCure Seafoods Limited					✓			✓		
Omega Innovations Limited					✓			✓		
Ora King Limited					✓			✓		
Regal Salmon Limited					✓			✓		
Southern Ocean Salmon Limited					✓			✓		
Southern Ocean Seafoods Limited					✓			✓		

** Nelson Liu is alternate director for Xin Wang, appointed 6 June 2018.*

INTERESTS REGISTER

The following entries were made in the interests register of the Company during the year ended 30 June 2018:

Share Dealings by Directors

Dealings by Directors and key senior managers during the year ended 30 June 2018 as entered in the Interest Register of the Company are as follows:

Name of Director / Senior Executive	No. of Shares	Nature of Interest	Acquisition / Disposal	Consideration	Date
John Ryder *(Chair)*	150,000	Beneficial owner	Acquisition	$1.93 per share	1 March 2018
Paul Steere	45,172	Beneficial Owner	Acquisition	$2.00per share	8 March 2018
Grant Rosewarne	26,100	Beneficial Owner	Acquisition	$1.91 per share	1 March 2018
Grant Rosewarne	2,300	Beneficial Owner	Acquisition	$1.92 per share	5 March 2018
Grant Rosewarne	2,981	Beneficial Owner	Acquisition	$2.04 per share	16 March 2018
Grant Rosewarne	245	Beneficial Owner	Acquisition	$2.22 per share	10 April 2018
Grant Rosewarne	7,760	Beneficial Owner	Acquisition	$2.29 per share	27 April 2018
Grant Rosewarne	4,736	Beneficial Owner	Acquisition	$2.33 per share	2 May 2018

Disclosure of interest in the Interests Register

Details of Directors disclosures entered in the interests register for the Company as at 30 June 2018 were as follows:

Director	Name of Interest	Nature of Interest
John Ryder *(Chair)*	Direct Capital V Management Limited	Director
Mark Hutton	Direct Capital IV Investments Limited	Director
	Direct Capital V Management Limited	Director
	Sirius Capital Investments Limited	Director
	Scales Corporation Limited	Director
	Evergreen Partners Limited (and subsidiaries)	Director
Jack Porus	Glaister Ennor	Partner
Thomas Song	Oregon Group Limited (and subsidiaries)	Director
Paul Steere	Clean Seas Seafood Pty Ltd, South Australia (ASX)	Director*
	Nelson Airport Limited	Chairman
	Nelson Marlborough Institute of Technology	Deputy Chairman
	Allan Scott Wines	Chairman
	Kaynemaile Limited	Chairman
	Aquaculture Advisory Panel, South Pacific Community	Chairman
Xin Wang	China Resources Ng Fung Limited (and subsidiaries)	Director
Nelson Liu	China Resources Ng Fung Limited (and subsidiaries)	Alternate to Xin Wag
Grant Rosewarne	Aquaculture New Zealand	Director
	Seafood New Zealand	Director

** Resigned 30 June 2018*

Relevant Interests

The table below records the ordinary shares in which Directors had a relevant interest as at 30 June 2018.

Name of Director	Number of ordinary shares Beneficial	Number of ordinary shares Non-Beneficial
John Ryder *(Chair)*	2,167,644	-
Mark Hutton	-	500,000
Jack Porus	372,457	-
Paul Steere	780,010	-
Grant Rosewarne	2,541,737	-

Neither Thomas Song, Xin Wang, nor Nelson Liu held any relevant interests (beneficial or non-beneficial) as at 30 June 2018.

Use of Company Information by Directors

No notices were received from Directors pursuant to section 145 of the Companies Act 1993 to use Company information, received in their capacity as Directors, which would otherwise not have been available to them.

Directors' Liability

As permitted by the Company's Constitution and in accordance with Section 162 of the Companies Act 1993, the Company has indemnified all Directors and arranged Directors' and Officers' Liability Insurance which ensures that, to the extent permitted by law, Directors will incur no monetary loss as a result of actions undertaken as Directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines, which may be imposed in respect of breaches of the law.

Shareholder Information

As at 30 June 2018 there were 138,475,358 ordinary shares on issue in the Company, each conferring on the registered holder the right to vote on any resolution at a meeting of shareholders, held as follows:

Size of Holding	Number of Shareholders	%	Number of Shares held	%
1 - 4,999	1,455	54.88	2,884,361	2.08
5,000 - 9,999	505	19.05	3,437,009	2.48
10,000 - 49,999	566	21.35	10,094,905	7.29
50,000 - 99,999	57	2.15	3,563,951	2.57
100,000 - 499,999	50	1.89	10,655,335	7.69
Over 500,000	18	0.68	107,839,797	77.89

20 Largest Shareholders

Set out below are details of the 20 largest shareholders of the Company as at 30 June 2018:

Shareholder	Number of Shares	% of shares
Oregon Group Limited	55,622,358	40.16
New Zealand Central Securities Depository Limited	18,858,119	13.61
China Resources Ng Fung Limited	13,798,944	9.96
FNZ Custodians Limited	4,086,909	2.95
Grantley Bruce Rosewarne & Julie Ann Rosewarne	2,093,902	1.51
John William Dudley Ryder	1,989,644	1.43
Investment Custodial Services Limited	1,848,211	1.33
Susan Glenice Paine & Harvey Te Hawe Ruru & Richard Murray Paine	1,785,715	1.28
NZKS Custodian Limited	1,311,186	0.94
Forsyth Barr Custodians Limited	986,670	0.71
MA Investments Two Limited	920,734	0.66
Custodial Services Limited	814,717	0.58
Kevin Glen Douglas & Michelle McKenney Douglas	710,529	0.51
Richard Pelham Garland & Susan Jane Garland	697,322	0.50
Andrew Christopher Clark & Christine Elizabeth Clark	620,259	0.44
Peter Plowman	606,184	0.43
Howard Nicholas Paul Bretherton & Bretherton trustee Limited	588,394	0.42
Sirius Capital Investments Limited	500,000	0.36
Sturgess Consulting Limited	489,704	0.35
Paul James Steere	446,957	0.32

Substantial Product Holders

Set out below are details of the substantial product holders of the Company as advised by notice to the Company as at 30 June 2018. The number of shares shown below is as advised in the most recent substantial product holder notices given to the Company and may not be their holding as at 30 June 2018.

Shareholder	Number of Shares	Class of Share
New Zealand King Salmon Investments Limited	65,852,206	Ordinary
Oregon Group Limited	55,622,348	Ordinary
China Resources Ng Fung Limited	13,798,944	Ordinary
Guardians of New Zealand Superannuation	8,957,866	Ordinary

The total number of ordinary shares on issue as at 30 June 2018 was 138,475,358.

Annual Shareholders Meeting

The Company's 2018 Annual Shareholders' Meeting will be held in Blenheim on 6th November 2018. Shareholders will be given an opportunity at the meeting to ask questions and comment on relevant matters. Notice of Meeting will be sent to shareholders in advance of the meeting.

Exercise of NZX Disciplinary Powers

NZX Limited did not exercise any of its powers under Listing Rule 5.4.2 in relation to the Company during the year ended 30 June 2018.

Donations

Donations of $16,977 were made by the Company during the year ended 30 June 2018 (2017: $42,971).

CORPORATE DIRECTORY

BOARD OF DIRECTORS

John William Dudley Ryder
Independent Non-Executive Chairman

Grantley Bruce Rosewarne
Chief Executive Officer and Managing Director

Mark Robert Hutton
Independent Non-Executive Director

Jack Lee Porus
Non-Executive Director

Paul James Steere
Independent Non-Executive Director

Thomas Chai Leng Song
Non-Executive Director

Wang Xin
Non-Executive Director

Nelson Liu
Alternate for Wang Xin

BANKERS

The Bank of New Zealand
Deloitte Centre
Level 6, 80 Queen Street
Auckland

AUDITOR

Ernst & Young (EY)
Level 4/93
Cambridge Terrace
Christchurch
New Zealand

LAWYERS

Chapman Tripp
Level 35, 23 Albert Street
Auckland
New Zealand

Gascoigne Wicks
79 High Street
Blenheim
New Zealand

Duncan Cotterill
197 Bridge Street
Nelson
New Zealand

NEW ZEALAND KING SALMON INVESTMENTS LIMITED

Ticker: NZK
Listed on the NZX Main Board and as a Foreign Exempt Listing on the ASX
NZ company number: 2161790

Registered Office
93 Beatty Street
Annesbrook
Nelson 7011
New Zealand

Postal Address
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New Zealand

Telephone
+64 3 548 5714

Website
www.kingsalmon.co.nz

Investor Relations
investor@kingsalmon.co.nz

SHARE REGISTRY

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New Zealand

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Australia

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GLOSSARY

ASX
Australian Securities Exchange

CEO
Chief Executive Officer

EBIT
Earnings Before Interest and Tax

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation

FCR
Feed Conversion Ratio

FOB
Free on Board, a term which means that the price for goods includes delivery at the seller's expense on to a vessel at a named port and no further. The buyer bears all costs thereafter (including costs of sea freight)

FY
Financial Year

G&G
Gilled and gutted weight

GAAP
New Zealand Generally Accepted Accounting Practice

Group
New Zealand King Salmon Investments Limited and its subsidiaries

IPO
Initial Public Offering

LTI Scheme
Long term incentive scheme

MT
Metric Tonnes

New Zealand King Salmon
New Zealand King Salmon Investments Limited

NPAT
Net Profit after Tax

NZ IFRS
New Zealand equivalents to International Financial Reporting Standards

NZX
New Zealand Stock Exchange

PDS
Product Disclosure Statement dated 23 September 2016 as published by New Zealand King Salmon Investments Limited

PFI
Prospective Financial Information contained in the New Zealand King Salmon Investments Limited Registered Product Disclosure Statement dated 23 September 2016

SLT
Senior leadership team, comprising CEO, and senior management direct reports

FROM EGG TO PLATE

OUR DIVISIONS

AQUACULTURE

This division includes eight operational sea farm sites in the Marlborough Sounds, three hatcheries in Golden Bay and Canterbury, and an aquaculture office in Picton.

SUPPLY CHAIN

Based in Nelson, the Supply Chain division includes Production Planning, Logistics, Coldstore and Pick n Pack/Dispatch teams, Procurement, Customer Services, ICT and Program Management.

PROCESSING

This division includes HACCP-approved processing facilities in Nelson involved in the primary and value-added processing of our salmon products. The Processing division also includes Engineering and Quality & Compliance.

SALES, MARKETING & NEW PRODUCT DEVELOPMENT (NPD)

Our Sales, Marketing and NPD teams are grouped by market and by channel. Our Auckland office supports our domestic sales and marketing activity, and we have various international Sales Representative arrangements. Our marketing and NPD teams are mainly based in Nelson.

CORPORATE SERVICES

Based in our head office in Nelson alongside our CEO office, the Corporate Services division comprises our Finance and Human Resources team members.

OMEGA INNOVATIONS

A separate division based in Nelson creating high-value brands from our by-products.

OUR OPERATIONS

HATCHERY & BROODSTOCK FACILITIES

We operate three freshwater facilities for broodstock, smolt and as risk mitigation.

BROODSTOCK

Broodstock are tagged and monitored throughout their lives – we assess the best female and male salmon.

SEAFARMS

Following transfer from freshwater hatcheries, salmon are grown for up to 18 months in one of our seawater farms.

FISH WELFARE

Our salmon are treated to the highest standards of care, with fish health and wellness a priority.

HARVEST

Salmon are humanely harvested at sea and transferred back to our processing facilities in Nelson on the same day.

PROCESSING

Salmon are weighed, gilled and gutted. Depending on final use, further processing can take place (including filleting, portioning or smoking).

BRANDING

The highest quality whole salmon are branded Ōra King and individually numbered for traceability. A wide variety of fresh, smoked and value-added products are dispatched to retail customers under our Regal, Southern Ocean, Big Catch and Omega Plus brands.

NEW ZEALAND KING SALMON INVESTMENTS LIMITED

93 Beatty Street, Annesbrook, Nelson 7011
www.kingsalmon.co.nz