

**NEW ZEALAND KING SALMON INVESTMENTS
LIMITED AND SUBSIDIARIES**

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

AS AT 31 DECEMBER 2016

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AS AT 31 DECEMBER 2016

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Corporate information

Directors

John William Dudley Ryder (Independent Chairman)
Grantley Bruce Rosewarne (Chief Executive Officer)
Mark Robert Hutton (Independent Director)
Jack Lee Porus
Paul James Steere (Independent Director)
Thomas Chai Leng Song

Appointment Date

21 September 2016
21 September 2016
21 September 2016
21 September 2016
21 September 2016
21 September 2016

Registered Office

93 Beatty Street
Annesbrook
Nelson
New Zealand

Bankers

The Bank of New Zealand
81 Riccarton Road
Christchurch
New Zealand

Principal Place of Business

93 Beatty Street
Annesbrook
Nelson
New Zealand

ANZ Bank New Zealand Limited

248 Trafalgar Street
Nelson
New Zealand

Solicitors

Glaister Ennor
18 High Street
Auckland
New Zealand

Auditors

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

Review Report to the Shareholders of New Zealand King Salmon Investments Limited (“the company”) and its subsidiaries (together “the group”)

We have reviewed the interim financial statements on pages 4 to 15, which comprise the statement of financial position of the group as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the group for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review 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 review work, for this report, or for our findings.

Directors' Responsibilities

The directors are responsible for the preparation and fair presentation of interim financial statements which comply with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Reviewer's Responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of the group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Basis of Statement

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

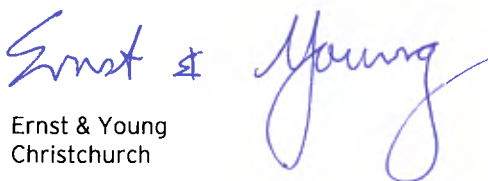
The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

We were engaged as investigating accountant in connection with the public offer of shares in the company and provide taxation advice to the group. We have no other relationship with, or interest in, the group.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 4 to 15, do not present fairly, in all material respects, the financial position of the group as at 31 December 2016 and its financial performance and cash flows for the six month period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 28 February 2017 and our findings are expressed as at that date.



Ernst & Young
Christchurch

Interim consolidated statement of comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

		31 December 2016	31 December 2015
		<u>Unaudited</u>	<u>Unaudited</u>
	Notes	<u>\$000</u>	<u>\$000</u>
Revenue	5	63,626	56,598
Cost of goods sold		(59,239)	(51,068)
Fair value gain on biological transformation		28,722	16,548
Freight costs to market		(6,077)	(4,839)
Gross profit		<u>27,032</u>	<u>17,239</u>
Other operating income		738	664
Sales, marketing and advertising expenses		(4,012)	(3,005)
Distribution overheads		(1,436)	(968)
Corporate expenses		(3,513)	(2,783)
Other expenses		(2,621)	(4)
Earnings before interest, tax, depreciation and amortisation		<u>16,188</u>	<u>11,143</u>
Depreciation and amortisation expense		(2,106)	(2,024)
Finance income		86	38
Finance costs		(1,572)	(2,175)
Profit before tax		<u>12,596</u>	<u>6,982</u>
Income tax expense		(3,891)	(1,246)
Net profit for the period		<u>8,705</u>	<u>5,736</u>
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Exchange differences on translation of foreign operations		(28)	(144)
Net movement on cash flow hedges		1,813	(564)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Share based payment expense		41	-
Net other comprehensive income/(loss)		<u>1,826</u>	<u>(708)</u>
Total comprehensive income for the period		<u>10,531</u>	<u>5,028</u>
Earnings per share		31 December 2016	31 December 2015
		<u>Unaudited</u>	<u>Unaudited</u>
Basic profit for the period attributable to ordinary equity holders of the parent		\$0.07	\$0.05
Diluted profit for the period attributable to ordinary equity holders of the parent		\$0.07	\$0.05
Net tangible asset value per share			
Net tangible asset value for the period attributable per ordinary share		\$1.08	\$1.09

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

Interim consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Share Capital	Foreign Currency Translation Reserve	Hedge Reserve	Share Based Payment Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000
Unaudited						
As at 1 July 2016	25,296	(527)	(2,195)	-	14,440	37,014
Profit for the period	-	-	-	-	8,705	8,705
Other comprehensive loss	-	(28)	1,813	41	-	1,826
Total comprehensive income/(loss) for the period	-	(28)	1,813	41	8,705	10,531
Increase in share capital in preparation for IPO	68,915	-	-	-	-	68,915
Shares issued	30,105	-	-	-	-	30,105
Transaction costs arising on share issue	(1,797)	-	-	-	-	(1,797)
As at 31 December 2016	122,519	(555)	(382)	41	23,145	144,768
Unaudited	\$000	\$000	\$000	\$000	\$000	\$000
As at 1 July 2015	25,296	(333)	(27)	-	11,847	36,783
Profit for the period	-	-	-	-	5,736	5,736
Other comprehensive income/(loss)	-	(144)	(564)	-	-	(708)
Total comprehensive income/(loss) for the period	-	(144)	(564)	-	5,736	5,028
As at 31 December 2015	25,296	(477)	(591)	-	17,583	41,811

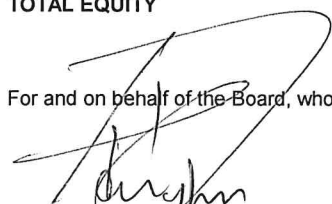
The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

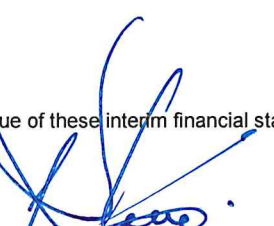
Interim consolidated statement of financial position

AS AT 31 DECEMBER 2016

	Notes	31 December		30 June 2016
		2016		Audited
		Unaudited		
		\$000		\$000
ASSETS				
Current assets				
Cash and cash equivalents		10,694		2,419
Trade and other receivables		15,210		10,229
Inventories	7	19,244		17,291
Biological assets	8	58,464		45,537
Income tax receivable		173		-
Non-current assets held for sale		421		421
Other financial assets	13	-		2,758
Derivative financial assets		832		526
Total current assets		105,038		79,181
Non-current assets				
Property, plant and equipment		34,294		32,596
Biological assets	8	8,828		7,413
Derivative financial assets		1,985		1,443
Intangible assets		3,800		3,868
Deferred tax asset		1,527		1,967
Goodwill		39,255		39,255
Total non-current assets		89,689		86,542
TOTAL ASSETS		194,727		165,723
LIABILITIES				
Current liabilities				
Interest-bearing loans and borrowings	9	1,239		19,326
Trade and other payables		21,424		15,416
Income tax payable		-		580
Employee benefits		2,481		2,384
Other financial liabilities		-		4,427
Shareholder loans		-		73,114
Derivative financial liabilities		1,820		2,319
Total current liabilities		26,964		117,566
Non-current liabilities				
Interest-bearing loans and borrowings	9	10,140		163
Employee benefits		434		465
Deferred tax liabilities		10,913		7,740
Derivative financial liabilities		1,508		2,775
Total non-current liabilities		22,995		11,143
TOTAL LIABILITIES		49,959		128,709
NET ASSETS		144,768		37,014
EQUITY				
Equity attributed to equity holders of the company				
Share capital	12	122,519		25,296
Reserves		(896)		(2,722)
Retained earnings		23,145		14,440
TOTAL EQUITY		144,768		37,014

For and on behalf of the Board, who authorised the issue of these interim financial statements on 28 February 2017.


Director
28 February 2017


Director
28 February 2017

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

Interim consolidated statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	31 December 2016	31 December 2015
	<u>Unaudited</u>	<u>Unaudited</u>
	\$000	\$000
Operating activities		
Receipts from customers	59,744	52,368
Payments to suppliers	(43,033)	(37,925)
Payments to employees	(15,189)	(13,158)
Interest received	78	40
Interest paid	(1,052)	(679)
Insurance income	214	530
Income tax paid	(1,741)	(513)
Net cash flows from/(used in) operating activities	<u>(979)</u>	<u>663</u>
Investing activities		
Proceeds from sale of property, plant and equipment	10	31
Purchase of property, plant and equipment	(3,696)	(3,073)
Purchase of intangible assets	(49)	(30)
Net cash flows used in investing activities	<u>(3,735)</u>	<u>(3,072)</u>
Financing activities		
Revolving loan repaid	(9,000)	-
Gross proceeds from share issue	30,105	-
Transaction cost arising on share issue	(1,797)	-
Proceeds from shareholder advances	1,402	500
Repayment of shareholder advances	(7,651)	-
Payment of finance lease liabilities	(70)	(40)
Net cash flows from financing activities	<u>12,989</u>	<u>460</u>
Net increase/(decrease) in cash and cash equivalents	8,275	(1,949)
Cash and cash equivalents at 1 July	<u>2,419</u>	<u>5,522</u>
Cash and cash equivalents at 31 December	<u>10,694</u>	<u>3,573</u>

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

Notes to the interim consolidated financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

1 Corporate information

The interim financial statements of New Zealand King Salmon Investments Limited (the Company) and its subsidiaries (together the Group) for the six months ended 31 December 2016 were authorised by the directors on 28 February 2017.

New Zealand King Salmon Investments Limited is a 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 and the Financial Reporting Act 2013.

The interim consolidated financial statements are for the six months ended 31 December 2016 and have been prepared in accordance with NZ GAAP. New Zealand King Salmon Investments Limited is a profit-orientated entity.

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

2 Preparation of Interim Financial Statements

(a) Statement of compliance

The interim consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with NZ IAS 34 - Interim Financial Reporting and IAS 34 Interim Financial Reporting, and should be read in conjunction with the annual financial statements as at 30 June 2016 which were prepared in accordance with NZ IFRS and IFRS.

The interim consolidated financial statements for the six months ended 31 December 2016 are unaudited. Comparative information for the interim consolidated statement of financial position is at 30 June 2016 and is audited. Comparative information for the interim consolidated statement of comprehensive income, interim consolidated changes in equity and interim consolidated statement of cash flows is for the comparative six month period and is unaudited.

(b) Basis of measurement

The accounting policies adopted in the interim financial statements are consistent with those applied in the annual financial statements as at 30 June 2016.

(c) Significant accounting judgements, estimates and assumptions

Management have applied the same principles and used the same key sources of estimation in the preparation of the interim financial statements as those applied to in the consolidated financial statements for the year ended 30 June 2016.

3 Significant changes in the current reporting period

The financial position of the Group was affected by the following significant events and transactions during the reporting period:-

(a) Initial Public Offer (IPO)

On 19 October 2016, the Company listed on the NZX Main Board ("NZX") and Australian Securities Exchange ("ASX"). The listing resulted in a primary issue of 26,785,715 shares and with an additional 1,180,747 shares issued to senior executives and employees. Proceeds of \$30 million were raised in accordance with the Product Disclosure Statement dated 23 September 2016.

(b) Capital Structure

Prior to the IPO shareholder loans were converted to shares, amended banking arrangements were put in place and with the proceeds from the IPO bank borrowings were reduced to \$10 million.

4 Seasonality

The Group's business is not considered to be highly seasonal. Sales and related costs vary from month to month with overall variation considered to be immaterial. The cost of fish has historically shown seasonal variation between the first and second halves of the financial year due to harvesting from farms with different cost structures. Management has concluded that variations are not 'highly seasonal' in accordance with IAS 34 as this is dependent on operational planning. In any given year the Group would expect to harvest fish from all active sea farms.

Notes to the interim consolidated financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

5 Segment information

(a) Segment results

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

The Group's reportable segments are:

New Zealand Retail	The company provides these customers with pre-packed value added products (including wood roasted and cold smoked product), whole fresh fish and pre-cut fillets.
New Zealand Foodservice	The company provides these customers with a broad variety of salmon products including whole fresh fish, pre-cut fillets, portions and a range of smoked products.
Export Market	Predominantly customers based 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	New Zealand Foodservice	Export Market	Total
Unaudited	\$000	\$000	\$000	\$000
Six months ended 31 December 2016				
Revenue	17,136	19,490	27,000	63,626
Segment results (EBITDA)	3,944	5,231	7,012	16,188
Unaudited	\$000	\$000	\$000	\$000
Six months ended 31 December 2015				
Revenue	14,717	18,510	23,371	56,598
Segment results (EBITDA)	2,421	3,249	5,473	11,143

Depreciation, amortisation, finance income, finance cost 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.

	31 December 2016	31 December 2015
Segment results reconcile to profit before tax as follows:	Unaudited	Unaudited
	\$000	\$000
Segment results	16,188	11,143
Depreciation, amortisation and impairment	(2,106)	(2,024)
Finance costs	(1,486)	(2,137)
Group profit before tax	12,596	6,982

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.

	31 December 2016	31 December 2015
(b) Revenue by geographical location of customers	Unaudited	Unaudited
	\$000	\$000
New Zealand	36,626	33,228
North America	14,229	12,223
Australia	6,249	4,688
Japan	2,687	2,641
Europe	946	930
Other	2,889	2,888
	63,626	56,598

Sales net of settlement discounts to one major customer for the period ended 31 December 2016 accounted for over 10% of total revenue. Sales to that customer totalled \$8,516k or 13% of total sales (31 December 2015: one customer accounted for \$5,593k or 10% of total sales and another for \$7,136k or 13% of total sales). In both years these customers were included in the New Zealand Retail segment.

Notes to the interim consolidated financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

6 Earnings per share

Earnings per share is calculated by dividing the profit for the period attributable to shareholders by the weighted average number of ordinary shares on issue during the period.

Diluted earnings per share assume conversion of all potential ordinary shares in determining the weighted average number of ordinary shares on issue.

The Company completed a 2:11 for 1 share split on 19 September 2016. On 19 October 2016 the Company issued 27,966,462 shares in the initial public offering. The weighted average number of ordinary shares used in the calculation of earnings per share, basic and diluted, for 2015 has been adjusted to reflect the share split.

	31 December 2016	31 December 2015
	<u>Unaudited</u>	<u>Unaudited</u>
	\$000	\$000
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings	8,705	5,736
	Shares	Shares
	000	000
Weighted average number of ordinary shares for basic earnings per share	121,439	110,191
Share options	-	375
Weighted average number of ordinary shares for diluted earnings per share	<u>121,439</u>	<u>110,566</u>

7 Inventories

	31 December 2016	30 June 2016
	<u>Unaudited</u>	<u>Audited</u>
	\$000	\$000
Raw materials	11,286	9,811
Work in progress	111	50
Finished goods	7,847	7,430
Total inventories	<u>19,244</u>	<u>17,291</u>

The closing cost of finished goods as at 31 December 2016 includes a fair value uplift at point of harvest of \$2,212k (June 2016: \$2,507k) and an impairment provision of \$972k (June 2016: \$1,572k).

	31 December 2016	31 December 2015
	<u>Unaudited</u>	<u>Unaudited</u>
	\$000	\$000
Amount of inventories recognised as an expense in the statement of comprehensive income		
Cost of inventories recognised as an expense	59,596	50,749
Movement in net realisable value of inventory (increase)/decrease	(357)	319
Total cost of inventories included in cost of goods sold	<u>59,239</u>	<u>51,068</u>

The cost of inventories recognised as an expense for the period ended 31 December 2016 includes a fair value uplift at point of harvest of \$17,688k (December 2015: \$14,625k).

Notes to the interim consolidated financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

8 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.

	31 December 2016	30 June 2016
	Unaudited	Audited
	Fair value	Fair value
	\$000	\$000
Biological assets:		
As at 1 July	52,950	47,595
Increase due to biological transformation	62,519	91,530
Decrease due to harvest/mortality	(48,907)	(86,754)
Changes in fair value	730	579
As at 31 December 2016 and 30 June 2016	67,292	52,950
Closing fair value uplift from cost on biological assets	27,932	16,602
Fair value gain/(loss) recognised in profit or loss		
Gain arising from growth of biological assets	27,992	29,644
Movement in fair value of biological assets	730	579
Total fair value gain/(loss) on biological transformation	28,722	30,223
	kg 000	kg 000
Closing fresh water stocks	178	174
Closing sea water stocks	5,973	4,400
Total closing biomass (live weight) at 31 December 2016 and 30 June 2016	6,151	4,574
	31 December 2016	31 December 2015
	Unaudited	Unaudited
	kg 000	kg 000
Biomass (live weight)		
Fish harvest for the period	3,861	3,392

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.

Selling price is estimated at balance dated based on the most relevant future market price at expected harvest date. 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. The expected 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 various risks relating to the livestock.

The estimate of unrealised fair value uplift 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 5.0% increase/decrease in average sales prices would increase/decrease the fair value of biological assets and profit before tax by \$4.6m, while a 5.0% increase/decrease in harvest volume would increase/decrease the fair value of biological assets and profit before tax by \$1.4m.

A change in production costs will generally have a lesser impact on the fair value of biological assets than the same percentage change in sale price or harvest volumes. 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.

Notes to the interim consolidated financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

9 Interest bearing loans and borrowings

	31 December 2016		30 June 2016	
	Unaudited	Audited	Unaudited	Audited
	\$000		\$000	
Current				
Current portion of finance lease liabilities	156	66		
Current portion of secured bank loans	-	19,000		
Other borrowings	1,083	260		
	<u>1,239</u>	<u>19,326</u>		
Non-current				
Finance lease liabilities	140	163		
Secured bank loans	10,000	-		
	<u>10,140</u>	<u>163</u>		

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 2016: \$19m).

10 Fair values of financial instruments

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

		31 December 2016		30 June 2016	
		Carrying amount	Fair value	Carrying amount	Fair value
		Unaudited	Unaudited	Audited	Audited
		\$000		\$000	
Financial assets					
Current assets					
	Forward exchange contracts	635	635	339	339
	Foreign exchange options	197	197	187	187
	Loans to employees	-	-	2,758	2,758
		<u>832</u>	<u>832</u>	<u>3,284</u>	<u>3,284</u>
Non-current assets					
	Forward exchange contracts	1,002	1,002	734	734
	Foreign exchange options	983	983	709	709
		<u>1,985</u>	<u>1,985</u>	<u>1,443</u>	<u>1,443</u>
Financial liabilities					
Current liabilities					
	Loans and borrowings	1,083	1,083	19,000	19,000
	Obligations under finance leases	156	156	66	66
	Forward exchange contracts	1,077	1,077	1,107	1,107
	Foreign exchange options	60	60	27	27
	Interest rate swaps	683	683	1,185	1,185
	Other financial liabilities	-	-	4,427	4,427
	Shareholder loans	-	-	73,114	73,114
		<u>3,059</u>	<u>3,059</u>	<u>98,926</u>	<u>98,926</u>
Non-current liabilities					
	Loans and borrowings	10,000	10,000	-	-
	Obligations under finance leases	140	134	163	149
	Forward exchange contracts	915	915	1,319	1,319
	Foreign exchange options	462	462	634	634
	Interest rate swaps	131	131	822	822
		<u>11,648</u>	<u>11,642</u>	<u>2,938</u>	<u>2,924</u>

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

Notes to the interim consolidated financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

10 Fair values of financial instruments (continued)

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.

11 Commitments and contingencies

(a) Capital expenditure and other commitments

	31 December 2016	30 June 2016
	<u>Unaudited</u>	<u>Audited</u>
	\$000	\$000
Total capital and other commitments	<u>1,946</u>	<u>2,602</u>

The Group has entered into agreements to purchase aquaculture plant and equipment and processing plant and equipment. As at 31 December 2016 the total commitment is \$1,946k (June 2016: \$508k).

(b) Contingencies

The Group has a contingent liability of \$783k in respect of a fish transport contract requiring the Group to purchase three bulk tankers, should the fish transport contract be terminated early (June 2016: \$840k).

The Group is currently in discussion with a feed supplier regarding a feed quality issue, and the outcome is yet to be resolved.

Notes to the interim consolidated financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

12 Capital and reserves

	31 December 2016	30 June 2016
	Unaudited	Audited
	000	000
Issued Capital	138,158	25,268

Issued capital at 31 December 2016 amounted to \$122,517,958 (June 2016: \$25,295,501) and 138,157,843 (June 2016: 25,267,695) ordinary shares.

(a) Ordinary share capital

Ordinary shares

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 the winding up of the Company.

	31 December 2016		30 June 2016	
	Unaudited		Audited	
	# shares	Value	# shares	Value
	000	\$000	000	\$000
(b) Movement in ordinary share capital				
As at 1 July 2015	25,295	25,296	25,268	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	-	-
Less: Transactional costs arising on share issue	-	(1,797)	-	-
Employee offer pursuant to IPO	1,181	1,323	-	-
Share issue for employee share scheme	-	(2,505)	-	-
	<u>138,158</u>	<u>122,519</u>	<u>25,268</u>	<u>25,296</u>

In preparation for the IPO, shareholder loans of \$70,202,480 were converted to shares with one share issued for each \$2.6058 of shareholder loan converted. In September 2016 the ordinary share capital that had been converted from shareholder loans was subdivided on the basis of a 2.11 to 1 share split which resulted in an additional 57,955,025 shares being issued on 19 September 2016. The Company issued 26,785,715 of ordinary shares at \$1.12 per share at the IPO on 19 October 2016.

The Senior Executive Share Scheme involves the Company making interest-free loans to selected senior executives to acquire shares in the Company. 5,063,406 shares are held by a custodian at the end of the reporting period.

Foreign currency translation reserve

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

13 Related party disclosures

(a) Subsidiaries

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

Name	Country of incorporation	Equity interest	
		31 December 2016	30 June 2016
The New Zealand King Salmon Co Limited	New Zealand	100%	100%
The New Zealand King Salmon Pty Limited	Australia	100%	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 Pty Ltd is the distribution of salmon.

(b) Entities with significant influence over the Group

At balance date Oregon Group Limited owned 40.26% (30 June 2016: 50.88%) of the shares in New Zealand King Salmon Investments Limited.

Notes to the interim consolidated financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

13 Related party disclosures (continued)**(c) Transactions with related parties**

The following provides the total amount of transactions that were entered into with related parties for the relevant financial year.

	31 December 2016	31 December 2015
	<u>Unaudited</u>	<u>Unaudited</u>
	\$000	\$000
Interest paid - Oregon Group Limited	272	787
Interest paid - other shareholders	194	619
Good and services purchased from other related parties	1	52

(d) Terms and conditions of 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.

(e) Amounts owing to related parties

	31 December 2016	30 June 2016
	<u>Unaudited</u>	<u>Audited</u>
	\$000	\$000
Current:		
Amounts advanced by shareholders of NZKS Custodian Ltd	-	4,427
Shareholders' loans	-	53,826
Shareholder advance repayable on demand	-	15,765
Current portion of shareholder loans	<u>-</u>	<u>69,591</u>
Accrued interest on shareholders' loans	-	3,523
	<u>-</u>	<u>73,114</u>

On 19 September 2016 shareholder loans of \$70,202,480 were converted to shares with one share issued for each \$2.6058 of shareholder loan converted.

(f) Amounts owing by related parties

	31 December 2016	30 June 2016
	<u>Unaudited</u>	<u>Audited</u>
	\$000	\$000
Owing by related parties	-	2,758

These loans are interest free and are in relation to the Senior Executive Share Scheme.

(g) Compensation of key management personnel of the Group

	31 December 2016	31 December 2015
	<u>Unaudited</u>	<u>Unaudited</u>
	\$000	\$000
Short-term employee benefits	1,390	1,017
Post employment pension and medical benefits	55	45
	<u>1,445</u>	<u>1,062</u>

14 Events after balance date

There have been no significant events after balance date.