

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

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FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

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# NEW ZEALAND KING SALMON INVESTMENTS LIMITED AND SUBSIDIARIES

## CORPORATE INFORMATION

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### Board of Directors

<b>Director</b>	<b>Position</b>	<b>Appointment Date</b>
John William Dudley Ryder	Independent Non-Executive Chairman	6 November 2018
Grantley Bruce Rosewarne	Chief Executive Officer and Managing Director	5 November 2019
Jack Lee Porus	Non-Executive Director	7 November 2017
Paul James Steere	Independent Non-Executive Director	7 November 2017
Lai Po Sing	Non-Executive Director	1 May 2019
Chiong Yong Tiong	Non-Executive Director	19 June 2019
Mark Robert Hutton	Independent Non-Executive Director	Resigned 7 November 2019, appointed 21 September 2016

### Other Corporate Information

#### Registered Office

93 Beatty Street  
Annesbrook  
Nelson  
New Zealand

#### Principal Place of Business

93 Beatty Street  
Annesbrook  
Nelson  
New Zealand

### Bankers

#### The Bank of New Zealand

Deloitte Centre  
Level 6, 80 Queen Street  
Auckland  
New Zealand

### Solicitors

#### 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

### Auditors

#### Ernst & Young (EY)

Level 4  
93 Cambridge Terrace  
Christchurch  
New Zealand

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

		UNAUDITED 31 Dec 2019 \$000	UNAUDITED 31 Dec 2018 \$000
	Note		
Revenue from contracts with customers	4	84,189	87,681
Cost of goods sold		(74,830)	(82,316)
Fair value gain on biological transformation	7	46,198	39,202
Freight costs to market		(7,671)	(7,823)
<b>Gross profit</b>		<b>47,886</b>	<b>36,744</b>
Other income		94	186
Sales, marketing and advertising expenses		(6,609)	(5,911)
Distribution overheads		(2,213)	(1,949)
Corporate expenses		(5,148)	(4,071)
Other expenses		(64)	(187)
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>33,946</b>	<b>24,812</b>
Depreciation and amortisation expense		(4,431)	(2,958)
Finance income		9	36
Finance expenses		(734)	(504)
<b>Profit before tax</b>		<b>28,790</b>	<b>21,386</b>
Income tax expense		(8,024)	(6,306)
<b>Net profit after tax</b>		<b>20,766</b>	<b>15,080</b>
<b>Other comprehensive income</b>			
<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		4	(185)
Net movement on cash flow hedges		2,031	(1,440)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Share based payment expense		164	140
<b>Net other comprehensive income</b>		<b>2,199</b>	<b>(1,485)</b>
<b>Total comprehensive income</b>		<b>22,965</b>	<b>13,595</b>
<b>Earnings per share</b>			
Basic earnings per share	5	\$ 0.15	\$ 0.11
Diluted earnings per share	5	\$ 0.15	\$ 0.11

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

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		UNAUDITED 31 Dec 2019 \$000	AUDITED 30 Jun 2019 \$000
<b>ASSETS</b>	<b>Note</b>		
<b>Current assets</b>			
Cash and cash equivalents		4,962	6,231
Trade and other receivables		18,456	13,502
Inventories	6	28,497	20,830
Biological assets	7	92,738	68,052
Derivative financial assets	10	1,858	494
<b>Total current assets</b>		<b>146,511</b>	<b>109,109</b>
<b>Non-current assets</b>			
Property, plant and equipment		57,884	51,843
Biological assets	7	10,369	10,180
Derivative financial assets	10	2,655	1,709
Deferred tax asset		2,300	2,443
Intangible assets		8,143	7,521
Goodwill		39,255	39,255
Right-of-use assets	9	4,950	-
<b>Total non-current assets</b>		<b>125,556</b>	<b>112,951</b>
<b>TOTAL ASSETS</b>		<b>272,067</b>	<b>222,060</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		20,914	16,499
Employee benefits		3,025	2,429
Borrowings	8	3,104	416
Lease liabilities		1,304	-
Other financial liabilities	13	149	149
Derivative financial liabilities	10	2,383	2,091
Taxation payable		2,647	605
<b>Total current liabilities</b>		<b>33,526</b>	<b>22,189</b>
<b>Non-current liabilities</b>			
Employee benefits		554	566
Borrowings	8	27,000	15,000
Lease liabilities		3,687	-
Deferred tax liabilities		18,618	13,507
Derivative financial liabilities	10	1,241	2,046
<b>Total non-current liabilities</b>		<b>51,100</b>	<b>31,119</b>
<b>TOTAL LIABILITIES</b>		<b>84,626</b>	<b>53,308</b>
<b>NET ASSETS</b>		<b>187,441</b>	<b>168,752</b>
<b>EQUITY</b>			
Share capital	12	122,603	122,595
Reserves		744	(1,455)
Retained earnings		64,094	47,612
<b>TOTAL EQUITY</b>		<b>187,441</b>	<b>168,752</b>

Net tangible assets per share  
Net tangible assets per share

\$ 0.99 \$ 0.86

For and on behalf of the Board, who authorised the issue of these financial statements on 26 February 2020

Director

26 February 2020

Director

26 February 2020

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



# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Share Capital \$000	Foreign Currency Translation Reserve \$000	Hedge Reserve \$000	Share Based Payment Reserve \$000	Retained Earnings \$000	Total Equity \$000
<b>UNAUDITED</b>						
Balance as at 1 July 2019	122,595	(639)	(1,391)	575	47,612	168,752
Profit for the period	-	-	-	-	20,766	20,766
Other comprehensive income/(loss)	-	4	2,031	164	-	2,199
<b>Total comprehensive income/(loss) for the period</b>	-	4	2,031	164	20,766	22,965
Dividend paid	-	-	-	-	(4,284)	(4,284)
Employee share scheme loans repaid	8	-	-	-	-	8
<b>Balance as at 31 December 2019</b>	<b>122,603</b>	<b>(635)</b>	<b>640</b>	<b>739</b>	<b>64,094</b>	<b>187,441</b>
<b>UNAUDITED</b>						
Balance as at 1 July 2018	122,579	(395)	318	405	43,394	166,301
Profit for the period	-	-	-	-	15,080	15,080
Other comprehensive income/(loss)	-	(185)	(1,440)	140	-	(1,485)
<b>Total comprehensive income/(loss) for the period</b>	-	<b>(185)</b>	<b>(1,440)</b>	<b>140</b>	<b>15,080</b>	<b>13,595</b>
Dividends paid	-	-	-	-	(4,235)	(4,235)
Employee share scheme loans repaid	6	-	-	-	-	6
<b>Balance as at 31 December 2018</b>	<b>122,585</b>	<b>(580)</b>	<b>(1,122)</b>	<b>545</b>	<b>54,239</b>	<b>175,667</b>

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

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	UNAUDITED 31 Dec 2019 \$000	UNAUDITED 31 Dec 2018 \$000
<b>Operating activities</b>		
Receipts from customers	81,016	83,020
Payments to suppliers	(52,820)	(55,194)
Payments to employees	(21,132)	(19,965)
Dividend received	43	-
Interest received	9	78
Interest paid	(553)	(371)
Other income received	308	186
Income tax paid	(4,831)	(6,663)
<b>Net cash flows (to) / from operating activities</b>	<b>2,041</b>	<b>1,091</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	3	(6)
Purchase of property, plant and equipment	(10,409)	(8,812)
Purchase of intangible assets	(28)	(4)
<b>Net cash flow (to) / from investing activities</b>	<b>(10,434)</b>	<b>(8,823)</b>
<b>Financing activities</b>		
Drawdown / (Repayment) of revolving loan	12,000	5,000
Government grants received	15	100
Payment of lease liabilities	(615)	(140)
Employee share scheme loans repaid	8	6
Dividends paid	(4,284)	(4,235)
<b>Net cash flows (to) / from financing activities</b>	<b>7,125</b>	<b>731</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(1,269)</b>	<b>(7,001)</b>
<b>Cash and cash equivalents at 1 July</b>	<b>6,231</b>	<b>14,425</b>
<b>Cash and cash equivalents at 31 December</b>	<b>4,962</b>	<b>7,424</b>

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 2019

## 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 2019 were authorised by the Directors on 26 February 2020.

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 and the Financial Reporting Act 2013.

The interim consolidated financial statements are for the six months ended 31 December 2019 and have been prepared in accordance with NZ GAAP.

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

## 2. BASIS OF PREPARATION

### a. Statement of compliance

The interim consolidated financial statements for the six months ended 31 December 2019 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 2019 which were prepared in accordance with NZ IFRS and IFRS.

The interim consolidated financial statements for the six months ended 31 December 2019 are unaudited. Comparative information for the interim consolidated statement of financial position is at 30 June 2019 and is audited. Comparative information for the interim consolidated statement of comprehensive income, statement of 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 2019, except as noted in (d) and (e)

### 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 2019.

### d. NZ IFRS 16: Leases

The group adopted NZ IFRS 16 Leases, effective from 1 July 2019. The group applied NZ IFRS 16 using the modified retrospective transition approach. Comparative information and opening equity are therefore not restated.

Lease liabilities are measured at the present value of remaining lease payments, discounted at the group's incremental borrowing rate as at 1 July 2019. Right of use (ROU) assets are initially recognised at cost, comprising the initial amount of the lease liability less any unamortised lease incentives. ROU assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In considering the lease term, the group applies judgment in determining whether it is reasonably certain that an extension or termination option will be exercised.

The effect of adopting NZIFRS 16 as at 1st July 2019 was, as follows:

	As previously reported at 30 June 2019 \$000	Impact of IFRS 16	As restated as at 1 July 2019 \$000
<b>Non-current assets</b>			
Right-of-use assets	-	4,561	4,561
<b>Total Impact on assets</b>	-	<b>4,561</b>	<b>4,561</b>
<b>Current liabilities</b>			
Lease liabilities	-	1,328	1,328
<b>Non-current liabilities</b>			
Lease liabilities	-	3,233	3,233
<b>Total impact on liabilities</b>	-	<b>4,561</b>	<b>4,561</b>

## 3. 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.



## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

### 4. 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

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
<b>UNAUDITED</b>				
<b>Six months ended 31 Dec 2019</b>				
Revenue from contracts with customers	19,110	16,992	48,087	84,189
Segment EBITDA	7,064	7,007	19,874	33,946
<b>UNAUDITED</b>				
<b>Six months ended 31 Dec 2018</b>				
Revenue from contracts with customers	21,607	19,657	46,417	87,681
Segment EBITDA	3,967	5,629	15,216	24,812

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:

	UNAUDITED 31 Dec 2019 \$000	UNAUDITED 31 Dec 2018 \$000
<b>Segment profit</b>	33,946	24,812
Depreciation, amortisation and impairment	(4,431)	(2,958)
Net finance costs	(725)	(468)
<b>Group profit before tax</b>	28,790	21,386

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

	UNAUDITED 31 Dec 2019 \$000	UNAUDITED 31 Dec 2018 \$000
New Zealand	36,102	41,264
North America	30,772	28,839
Australia	5,263	6,422
Japan	3,060	2,819
Europe	1,862	1,827
Other	7,129	6,510
<b>Total revenue</b>	84,189	87,681

Sales net of settlement discounts attributable to individual customers that were greater than 10% of the group for the period ended December 2019 was \$9,619k or 11% and was included in the export segment (December 2018 two major customer accounted for \$14,619k or 17%, these customers were included in the New Zealand Retail Segment)

### 5. 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 assumes conversion of all potential ordinary shares in determining the weighted average number of ordinary shares on issue.

	UNAUDITED 31 Dec 2019 \$000	UNAUDITED 31 Dec 2018 \$000
<b>Earnings per share</b>		
Profit attributable to ordinary equity holders	20,766	15,080
	<b># of Shares 000</b>	<b># of Shares 000</b>
Weighted average number of ordinary shares for diluted earnings per share	138,697	138,525
<b>Basic earnings per share</b>	\$ 0.15	\$ 0.11
<b>Diluted earnings per share</b>	\$ 0.15	\$ 0.11

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

### 6. INVENTORIES

	UNAUDITED 31 Dec 2019 \$000	AUDITED 30 Jun 2019 \$000
Inventories		
Raw materials	14,319	11,901
Work in progress	1,475	1,017
Finished goods	12,703	7,912
<b>Total inventories</b>	<b>28,497</b>	<b>20,830</b>

	UNAUDITED 31 Dec 2019 \$000	UNAUDITED 31 Dec 2018 \$000
<b>Amount of inventories recognised as an expense in the statement of comprehensive income</b>		
Cost of inventories recognised as an expense	74,036	81,988
Movement in net realisable value of inventory provision	794	328
<b>Total cost of goods sold</b>	<b>74,830</b>	<b>82,316</b>

The cost of inventories recognised as an expense for the period ended December 2019 includes a fair value uplift at point of harvest of \$29,276k (December 2018: \$31,941k).

### 7. BIOLOGICAL ASSETS

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

UNAUDITED	Cost \$000	Fair value \$000	Total \$000
<b>Biological assets</b>			
<b>As at 1 July 2019</b>	<b>44,370</b>	<b>33,862</b>	<b>78,232</b>
Increase due to biological transformation <sup>1</sup>	43,505	46,072	89,577
Decrease due to harvest <sup>2</sup>	(32,409)	(30,252)	(62,661)
Decrease due to mortality <sup>3</sup>	(2,166)	-	(2,166)
Changes in fair value <sup>4</sup>	-	126	126
<b>As at 31 December 2019</b>	<b>53,300</b>	<b>49,807</b>	<b>103,107</b>

<sup>1</sup> Biological transformation fair value is impacted by volume increases (net of mortalities) and fish size at reporting date relative to the target harvest weight of 4 kgs (proportional recognition).

<sup>2</sup> Harvested fair value is included under cost of goods sold in the statement of comprehensive income and is calculated by multiplying the current years harvest (biomass) by the prior years expected gross margin per kg (recognised at 100%).

<sup>3</sup> Mortality cost is expensed directly to the statement of comprehensive income in the period which it occurs.

<sup>4</sup> 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).

AUDITED	Cost \$000	Fair value \$000	Total \$000
<b>Biological assets</b>			
<b>As at 1 July 2018</b>	<b>42,667</b>	<b>36,787</b>	<b>79,454</b>
Increase due to biological transformation <sup>1</sup>	85,636	57,567	143,203
Decrease due to harvest <sup>2</sup>	(66,468)	(62,926)	(129,394)
Decrease due to mortality <sup>3</sup>	(17,465)	-	(17,465)
Changes in fair value <sup>4</sup>	-	2,434	2,434
<b>As at 30 June 2019</b>	<b>44,370</b>	<b>33,862</b>	<b>78,232</b>

#### Fair value gain / (loss) recognised in profit and loss

	UNAUDITED 31 Dec 2019 \$000	UNAUDITED 31 Dec 2018 \$000
Gain arising from growth of biological assets	46,072	39,894
Movement in fair value of biological assets	126	(692)
<b>Total fair value gain on biological transformation</b>	<b>46,198</b>	<b>39,202</b>

#### Estimated closing biomass

	UNAUDITED 31 Dec 2019 kg 000	AUDITED 30 Jun 2019 kg 000
Closing fresh water stocks	147	100
Closing seawater stocks	6,913	5,073
<b>Total estimated closing biomass live weight</b>	<b>7,060</b>	<b>5,173</b>

	UNAUDITED 31 Dec 2019 kg 000	UNAUDITED 31 Dec 2018 kg 000
<b>Live weight harvested for the period (metric tonnes)</b>	<b>4,252</b>	<b>4,575</b>

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

### BIOLOGICAL ASSETS (continued)

#### 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 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% increase/decrease in average future sales prices would have increased/decreased the fair value of biological assets on hand and profit before tax by \$14.5m (June 2019: 10% increase / decrease \$10.2m) (excludes the impact of finished goods), while a 10.0% increase/decrease in estimated future harvest volume would increase/decrease the fair value of biological assets on hand and profit before tax by \$5.0m (June 2019: 10% increase / decrease \$3.3m).

A 10% increase/decrease in estimated costs to sell would decrease/increase the fair value of biological assets on hand at balance date and profit before tax by \$9.5m (June 2019: 10% increase / decrease \$6.8m). 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.

### 8. INTEREST BEARING LOANS AND BORROWINGS

	UNAUDITED 31 Dec 2019	AUDITED 30 Jun 2019
<b>Current interest bearing loans and borrowings</b>	<b>\$000</b>	<b>\$000</b>
Other borrowings	3,104	416
<b>Total current interest bearing loans and borrowings</b>	<b>3,104</b>	<b>416</b>
<b>Non-current interest bearing loans and borrowings</b>		
Secured bank loans	(27,000)	(15,000)
<b>Total non-current interest bearing loans and borrowings</b>	<b>(27,000)</b>	<b>(15,000)</b>

The Company has facilities with BNZ for \$60m, secured by a general security deed over the assets of the Group. The expiry date of facility A of \$20m is 18 October 2021, facility B of \$20m expires on 18 October 2023, and facility C of \$20m expires on 18 October 2024. At balance date the facility was drawn \$27m being funded by \$20m of facility A and \$7m of facility B (June 2019: \$15m).

### 9. RIGHT OF USE ASSETS

	Land & Building 000	Motor Vehicles 000	Plant & Equipment 000	UNAUDITED 31 Dec 2019 \$000	AUDITED 30 Jun 2019 \$000
<b>UNAUDITED</b>					
<b>As at 1 July 2019</b>	-	-	-	-	-
Movement on transition	3,740	372	449	4,561	-
Additions	-	71	974	1,045	-
Depreciation for the period	382	103	171	656	-
<b>As at 31 December</b>	<b>3,358</b>	<b>340</b>	<b>1,252</b>	<b>4,950</b>	<b>-</b>



## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

### 10. 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 \$27m 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:

	UNAUDITED 31 Dec 2019	AUDITED 30 Jun 2019
<b>Current derivative financial assets</b>	<b>\$000</b>	<b>\$000</b>
Forward exchange contracts	732	224
Foreign exchange options	1,126	270
<b>Total Current derivative financial assets</b>	<b>1,858</b>	<b>494</b>
<b>Non-current derivative financial assets</b>		
Forward exchange contracts	1,491	708
Foreign exchange options	1,164	1,001
<b>Total Non-current derivative financial assets</b>	<b>2,655</b>	<b>1,709</b>
<b>Current derivative financial liabilities</b>		
Forward exchange contracts	888	1,043
Foreign exchange options	86	110
Interest rate swaps	1,409	938
<b>Total Current derivative financial liabilities</b>	<b>2,383</b>	<b>2,091</b>
<b>Non-current derivative financial liabilities</b>		
Forward exchange contracts	642	667
Foreign exchange options	599	797
Interest rate swaps	-	582
<b>Total non-current derivative financial liabilities</b>	<b>1,241</b>	<b>2,046</b>

#### 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

#### UNAUDITED

##### Capital commitments

The Group has entered into agreements to purchase plant and equipment. As at 31 December 2019 the total commitment is \$3,204k (June 2019: \$3,265k).

##### Contingencies

The Group has a contingent liability of \$790k in respect of a fish transport contract requiring the Group to purchase three bulk tankers (including modifications made in 2017), should the fish transport contract be terminated early (June 2019: \$809k).



## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

### 12. CAPITAL AND RESERVES

#### Share capital

##### Issued shares

##### Ordinary shares

##### Total issued 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 winding up of the Company. Dividends paid during the period ended December 2019 consisted of a fully imputed final dividend of \$0.03 per share paid on 20 September 2019 (December 2018: \$0.03 paid on 21 September 2018).

	# of Shares		Share Capital	
	UNAUDITED	AUDITED	UNAUDITED	AUDITED
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	000	000	\$000	\$000
Movement in ordinary share capital				
As at 1 July	138,571	138,475	122,595	122,579
Share issue for employee share scheme	415	96	-	-
Share issue recognised on repayment of employee loans	-	-	8	16
As at 31 December or 30 June	138,986	138,571	122,603	122,595

#### 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 long term incentive (LTI) schemes, and two employee share ownership schemes. All of these schemes involve the Company making interest-free limited recourse loans to selected personnel to acquire shares in the Company. 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. 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 executive LTI scheme was established at the time of the IPO and related to 993,671 shares in the Company, at an issue price of \$1.12 per share. The ordinary shares in the Company are security for the interest-free limited recourse loans, and vested on 19 October 2019. At the start of the period there were 770,621 shares held under this scheme, which all vested during the period. During the period no shares were forfeited (2018: nil) and 51,405 shares were sold upon vesting.

A further 317,515 shares were issued on 29 September 2017 with vesting date of 1 September 2020 being made up of 270,273 shares issued to existing members at an issue price of \$1.22 per share, and 47,241 shares issued to new senior executive shareholders at an issue price of \$1.77 per share. 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 2,801 shares were forfeited during the year (2018: 5,238).

A further 311,527 shares were issued on 27 September 2018 with vesting date being 1 September 2021 at an issue price of \$1.30 per share made up of 26,321 shares issued to 2016 members, 33,858 shares issued to members that were new in 2017 at a price of \$1.95 per share and 17,348 shares issued to new members at a price of \$2.78 per share. 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 6,674 shares were forfeited during the year (2018: nil).

On 05 November 2019, a further 414,488 shares were issued, being 172,727 shares issued at a price of \$2.20 per share and vesting on 7 February 2022, and 211,727 shares issued to members that were new in 2016 at a price of \$ 1.41, 30,034 shares issued to members that were new in 2017 at a price of \$ 2.13 per share and with vesting date of 01 September 2022.

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, the option exercise price (see below for the various exercise prices), expected share price volatility of 14.1%, option life relative to each respective vesting period (usually three years), and a risk free interest rate of 2.1%.

The option exercise prices are as follows:

- For those who joined the scheme at IPO - \$1.12 per share for the initial issue at the time of the IPO in October 2016, \$1.22 for further shares issued in September 2017, \$1.30 for further shares issued in September 2018, and \$1.41 for further shares issued in November 2019
- For those who joined the scheme in 2017 - \$1.77 per share for shares issued in September 2017, \$1.95 for further shares issued in September 2018, and \$2.13 for further shares issued in November 2019
- For those who joined the scheme in 2018 - \$2.78 per share for shares issued in September 2018
- For nominated executive joining the scheme in 2019 - \$2.20 per share for shares issued in November 2019

The balance of unvested shares for the following arrangements as at 31 December 2019 are: LTI 2017 shares - 296,852 shares, LTI 2018 shares - 301,638 shares, and LTI 2019 shares - 414,488 shares. The Company held no shares as treasury stock (2018: 2,912 shares).

The senior executive share ownership scheme was established prior to the IPO and currently relates to 3,062,164 shares in the Company. 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 employee share ownership scheme was established at the time of the IPO and relates to 187,076 ordinary shares in the Company. 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.

##### Retained earnings

Retained earnings represents the profits retained in the business.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

### 13. RELATED PARTY DISCLOSURES

#### Subsidiaries

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

Subsidiary	Country 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 40.02% (30 June 2019: 40.14%) and China Resources Ng Fung Limited owned 9.93% (30 June 2019: 9.96%) 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 period:

	UNAUDITED 31 Dec 2019 \$000	UNAUDITED 31 Dec 2018 \$000
<b>Related party payments</b>		
Good and services purchased from other related parties	196	4
<b>Total related party payments</b>	<b>196</b>	<b>4</b>
<b>Related party sales</b>		
Goods and services sold to related parties	(1,975)	(2,096)
<b>Total related party sales</b>	<b>(1,975)</b>	<b>(2,096)</b>

	UNAUDITED 31 Dec 2019 \$000	AUDITED 30 Jun 2019 \$000
<b>Amounts owing to related parties</b>		
<b>Current amounts owing to related parties</b>		
Other amounts owing to related parties	149	149
<b>Total current amounts owing to related parties</b>	<b>149</b>	<b>149</b>

	UNAUDITED 31 Dec 2019 \$000	AUDITED 30 Jun 2019 \$000
<b>Amounts owing by related parties</b>		
Amounts owing by related parties	217	221
<b>Total amounts owing by related parties</b>	<b>217</b>	<b>221</b>

	UNAUDITED 31 Dec 2019 \$000	UNAUDITED 31 Dec 2018 \$000
<b>Compensation of key management personnel of the Group</b>		
<b>Key management personnel compensation</b>		
Short-term employee benefits	893	1,032
Share based payment expense	107	140
Post employment pension and medical benefits	48	56
<b>Total key management personnel compensation</b>	<b>1,048</b>	<b>1,228</b>

### 14. DISAGGREGATION OF REVENUE

	UNAUDITED 31 Dec 2019 \$000	UNAUDITED 31 Dec 2018 \$000
New Zealand King Salmon label (unbranded)	29,724	31,586
Regal	14,229	16,183
Öra King	34,832	32,157
Southern Ocean	4,769	7,329
Omega Plus	635	426
<b>Total disaggregated revenue</b>	<b>84,189</b>	<b>87,681</b>

Revenue breakdown by operating segments is disclosed in Note 4.

### 15. EVENTS AFTER BALANCE DATE

	UNAUDITED 31 Dec 2019 \$000	UNAUDITED 31 Dec 2018 \$000
<b>Dividends declared after balance date:</b>		
Interim dividend	2,780	2,771
	<b>2,780</b>	<b>2,771</b>

A interim fully imputed dividend of 2 cents per share on ordinary shares was approved on 26 February 2020 for payment on 20 March 2020. These dividends are not recognised as a liability as at 31 December 2019.



## **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 14, which comprise the statement of financial position of the group as at 31 December 2019, 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 those financial statements.

We provide other assurance services to the group. We have no other relationship with, or interests 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 14, do not present fairly, in all material respects, the



financial position of the group as at 31 December 2019 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 26 February 2020 and our findings are expressed as at that date.

*Ernst & Young*

Chartered Accountants  
Christchurch