



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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

**1H21**

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FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

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# NEW ZEALAND KING SALMON INVESTMENTS LIMITED AND SUBSIDIARIES

## CORPORATE DIRECTORY

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### BOARD OF DIRECTORS

**John William Dudley Ryder**  
Independent Non-Executive Chairman  
**Grantley Bruce Rosewarne**  
Chief Executive Officer and Managing Director  
**Jack Lee Porus**  
Non-Executive Director  
**Paul James Steere**  
Independent Non-Executive Director  
**Lai Po Sing**  
Non-Executive Director  
**Chiong Yong Tiong**  
Non-Executive Director  
**Catriona Macleod**  
Independent Non-Executive Director

### Audit and Finance Committee

**Paul Steere** (Chair)  
**John Ryder**  
**Jack Porus** (Appointed 26 August 2020)

### Nominations and Remuneration Committee

**Paul Steere** (Chair)  
**Jack Porus**

### Health, Safety and Risk Committee

**Catriona Macleod** (Chair)  
**Chiong Yong Tiong**

### BANKERS

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

### 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

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Annesbrook  
Nelson  
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### Postal Address

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### Telephone

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### Website

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### Investor Relations

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### SHARE REGISTRY

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### Computershare Investor Services Pty Limited

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# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Note	UNAUDITED 31 Dec 2020 \$000	UNAUDITED 31 Dec 2019 \$000
Revenue from contracts with customers	4	82,279	84,189
Cost of goods sold including fair value uplift at point of harvest		(78,350)	(74,830)
Fair value gain on biological transformation	7	19,999	46,198
Freight costs to market		(9,585)	(7,671)
<b>Gross profit</b>		<b>14,343</b>	<b>47,886</b>
Other income		454	94
Sales, marketing and advertising expenses		(6,732)	(6,609)
Distribution overheads		(2,679)	(2,213)
Corporate expenses		(5,110)	(5,148)
Other expenses		(2)	(64)
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>274</b>	<b>33,946</b>
Depreciation and amortisation expense		(5,003)	(4,431)
Finance income		4	9
Finance expenses		(1,147)	(734)
<b>(Loss) / Profit before tax</b>		<b>(5,872)</b>	<b>28,790</b>
Income tax credit / (expense)		1,549	(8,024)
<b>(Loss) / Profit after tax</b>		<b>(4,323)</b>	<b>20,766</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(596)	4
Movement on cash flow hedges		20,737	2,821
Income tax effect of movement on cash flow hedges		(5,802)	(790)
Share based payment expense		85	164
<b>Net other comprehensive income</b>		<b>14,424</b>	<b>2,199</b>
<b>Total comprehensive income</b>		<b>10,101</b>	<b>22,965</b>

		UNAUDITED 31 Dec 2020	UNAUDITED 31 Dec 2019
<b>Earnings per share</b>			
Basic earnings per share	5	\$ (0.03)	\$ 0.15
Diluted earnings per share	5	\$ (0.03)	\$ 0.15

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 2020

		UNAUDITED 31 Dec 2020	AUDITED 30 Jun 2020
	Note	\$000	\$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		5,581	7,115
Trade and other receivables		14,758	12,777
Inventories	6	45,783	35,612
Biological assets	7	69,677	81,784
Derivative financial assets	10	5,734	907
<b>Total current assets</b>		<b>141,533</b>	<b>138,195</b>
<b>Non-current assets</b>			
Property, plant and equipment		60,908	60,481
Biological assets	7	18,226	10,594
Derivative financial assets	10	20,530	9,120
Deferred tax asset		2,044	3,303
Intangible assets		9,030	8,655
Goodwill		39,255	39,255
Right-of-use assets	8	7,039	4,581
<b>Total non-current assets</b>		<b>157,032</b>	<b>135,989</b>
<b>TOTAL ASSETS</b>		<b>298,565</b>	<b>274,184</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		17,469	14,847
Employee benefits		3,377	2,884
Borrowings	9	2,614	1,132
Lease liabilities		1,586	1,347
Other financial liabilities	13	233	149
Derivative financial liabilities	10	1,696	3,868
Taxation payable		5,340	3,866
<b>Total current liabilities</b>		<b>32,315</b>	<b>28,093</b>
<b>Non-current liabilities</b>			
Employee benefits		711	558
Borrowings	9	46,000	37,000
Lease liabilities		5,544	3,258
Deferred tax liabilities		19,369	18,436
Derivative financial liabilities	10	211	2,525
<b>Total non-current liabilities</b>		<b>71,835</b>	<b>61,777</b>
<b>TOTAL LIABILITIES</b>		<b>104,150</b>	<b>89,870</b>
<b>NET ASSETS</b>		<b>194,415</b>	<b>184,314</b>
<b>EQUITY</b>			
Share capital	12	122,606	122,606
Reserves		17,402	2,978
Retained earnings		54,407	58,730
<b>TOTAL EQUITY</b>		<b>194,415</b>	<b>184,314</b>

## Net tangible assets per share

Net tangible assets per share \$ 1.04 \$ 0.96

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

*For and on behalf of the Board, who authorised the issue of these financial statements on 23 February 2021*



Director  
23 February 2021



Director  
23 February 2021

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	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>						
<b>Balance as at 1 July 2020</b>	122,606	(485)	2,587	876	58,730	184,314
Profit / (loss) for the period	-	-	-	-	(4,323)	(4,323)
Other comprehensive income/(loss)	-	(596)	14,935	85	-	14,424
<b>Total comprehensive income/(loss) for the period</b>	-	<b>(596)</b>	<b>14,935</b>	<b>85</b>	<b>(4,323)</b>	<b>10,101</b>
Dividends paid - ordinary	-	-	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>122,606</b>	<b>(1,081)</b>	<b>17,522</b>	<b>961</b>	<b>54,407</b>	<b>194,415</b>
<b>UNAUDITED</b>						
<b>Balance as at 1 July 2019</b>	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>	-	<b>4</b>	<b>2,031</b>	<b>164</b>	<b>20,766</b>	<b>22,965</b>
Dividends paid - ordinary	-	-	-	-	(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>

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 2020

	UNAUDITED 31 Dec 2020 \$000	UNAUDITED 31 Dec 2019 \$000
<b>Operating activities</b>		
Receipts from customers	80,067	81,016
Payments to suppliers	(64,258)	(52,820)
Payments to employees	(21,131)	(21,132)
Dividend received	-	43
Interest received	4	9
Interest paid	(773)	(553)
Other income received	-	308
Income tax paid	(588)	(4,831)
<b>Net cash flows (to) / from operating activities</b>	<b>(6,679)</b>	<b>2,041</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	-	3
Purchase of property, plant and equipment	(4,399)	(10,409)
Purchase of intangible assets	(707)	(28)
<b>Net cash flow (to) / from investing activities</b>	<b>(5,106)</b>	<b>(10,434)</b>
<b>Financing activities</b>		
Proceeds from borrowings	10,482	12,000
Government grants received	403	15
Payment of lease liabilities	(634)	(615)
Employee share scheme loans repaid	-	8
Dividends paid	-	(4,284)
<b>Net cash flows (to) / from financing activities</b>	<b>10,251</b>	<b>7,125</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(1,534)</b>	<b>(1,269)</b>
Cash and cash equivalents at 1 July	7,115	6,231
<b>Cash and cash equivalents at 31 December</b>	<b>5,581</b>	<b>4,962</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 2020

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## 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 2020 were authorised by the Directors on 23 February 2021.

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 interim consolidated financial statements are for the six months ended 31 December 2020 and have been prepared in accordance with NZ GAAP.

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

The Group has changed its balance date to 31 January following a Board resolution on 2 November 2020.

## 2. BASIS OF PREPARATION

### a. Statement of compliance

The interim consolidated financial statements for the six months ended 31 December 2020 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 2020 which were prepared in accordance with NZ IFRS and IFRS.

The interim consolidated financial statements for the six months ended 31 December 2020 are unaudited. Comparative information for the interim consolidated statement of financial position is at 30 June 2020 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 2020.

The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$000), except when otherwise indicated.

### 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 in the consolidated financial statements for the year ended 30 June 2020.

### d. Covid-19

Due to the rapid impact of the pandemic virus Covid-19 impacting significantly on finished stock holdings, the Group estimates the net realisable value of inventory for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to estimated net realisable value. The estimated net realisable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

## 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. Mortality rates are typically highest in the January to April period due to higher water temperatures at that time. This does impact on month to month profitability.



## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

### 4. SEGMENT INFORMATION

#### Segment results

In FY20, the Group reviewed its operating segments and considers that there is only one operating segment. This is based on management's on going review of the business and operations and as crystallised by the pandemic Covid-19 virus. The strategy is to focus on branded, premium priced and differentiated sales in all markets / channels / customers so as to maximise longer term sales and overall margins. The group has executed this strategy during the COVID-19 situation, resulting in product being deployed to certain other markets, channels and customers.

For management purposes, the Group is organised into one business unit. The operating results of the whole business are monitored for the purpose of making decisions about resource allocation and performance assessment.

Segment performance - Refer also Note 14 for detail of disaggregation of revenue by brand and geographical area.

	UNAUDITED 2020 \$000	UNAUDITED 2019 \$000
Revenue	82,279	84,189
Segment EBITDA	274	33,946
Segment profit reconciles to profit before income tax as follows:		
	UNAUDITED 2020 \$000	UNAUDITED 2019 \$000
Segment EBITDA	274	33,946
Depreciation, amortisation and impairment	(5,003)	(4,431)
Net finance costs	(1,143)	(725)
<b>Group profit / (loss) before tax</b>	<b>(5,872)</b>	<b>28,790</b>

Prior year comparatives have been restated to respond to the change to a single operating 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 2020 \$000	UNAUDITED 31 Dec 2019 \$000
<b>Earnings per share</b>		
Profit / (loss) attributable to ordinary equity holders	(4,323)	20,766
	# of Shares 000	# of Shares 000
Weighted average number of ordinary shares for diluted earnings per share	138,986	138,697
<b>Basic earnings per share</b>	\$ (0.03)	\$ 0.15
<b>Diluted earnings per share</b>	\$ (0.03)	\$ 0.15

### 6. INVENTORIES

	UNAUDITED 31 Dec 2020 \$000	AUDITED 30 Jun 2020 \$000
<b>Inventories</b>		
Raw materials	13,091	9,184
Work in progress	593	1,192
Finished goods	32,099	25,236
<b>Total inventories</b>	<b>45,783</b>	<b>35,612</b>

	UNAUDITED 31 Dec 2020 \$000	UNAUDITED 31 Dec 2019 \$000
<b>Amount of inventories recognised as an expense in the statement of comprehensive income</b>		
Cost of inventories recognised as an expense	69,911	74,036
Movement in net realisable value of inventory provision	8,439	794
<b>Total cost of goods sold including fair value uplift at point of harvest</b>	<b>78,350</b>	<b>74,830</b>

The cost of inventories recognised as an expense for the period ended 31 December 2020 includes a fair value uplift at point of harvest of \$13,445k (31 December 2019: \$29,276k).

### 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 2020</b>	53,704	38,674	92,378
Increase due to biological transformation <sup>1</sup>	44,697	24,435	69,132
Decrease due to harvest <sup>2</sup>	(34,444)	(29,649)	(64,093)
Decrease due to mortality <sup>3</sup>	(5,077)	-	(5,077)
Changes in fair value <sup>4</sup>	-	(4,437)	(4,437)
<b>As at 31 December 2020</b>	<b>58,880</b>	<b>29,023</b>	<b>87,903</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).

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

## BIOLOGICAL ASSETS (CONTINUED)

UNAUDITED	Cost	Fair value	Total
Biological assets	\$000	\$000	\$000
As at 1 July 2019	44,370	33,861	78,231
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>

AUDITED	Cost	Fair value	Total
Biological assets	\$000	\$000	\$000
As at 1 July 2019	44,370	33,862	78,232
Increase due to biological transformation <sup>1</sup>	84,126	67,399	151,525
Decrease due to harvest <sup>2</sup>	(63,144)	(59,312)	(122,456)
Decrease due to mortality <sup>3</sup>	(11,648)	-	(11,648)
Changes in fair value <sup>4</sup>	-	(3,275)	(3,275)
<b>As at 30 June 2020</b>	<b>53,704</b>	<b>38,674</b>	<b>92,378</b>

	UNAUDITED	UNAUDITED
Fair value gain / (loss) recognised in profit and loss	31 Dec 2020	31 Dec 2019
	\$000	\$000
Gain arising from growth of biological assets	24,436	46,072
Movement in fair value of biological assets	(4,437)	126
<b>Total fair value gain on biological transformation</b>	<b>19,999</b>	<b>46,198</b>

	UNAUDITED	UNAUDITED
Harvested biomass	31 Dec 2020	31 Dec 2019
	tonnes	tonnes
<b>Total live weight harvested for the period</b>	<b>4,716</b>	<b>4,252</b>

	UNAUDITED	AUDITED
Estimated closing biomass	31 Dec 2020	30 Jun 2020
	tonnes	tonnes
Closing fresh water stocks	154	158
Closing seawater stocks	6,790	6,136
<b>Total estimated closing biomass live weight</b>	<b>6,944</b>	<b>6,294</b>

### 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 stock including increasing climate change volatility, 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 estimated unrealised fair value gain from cost at 31 December 2020 decreased from the prior year end estimation due to expected increased costs of working and selling due to Covid-19 and a change in product mix to incorporate a proportion of lower value frozen product sales. Core sales volumes are expected to return to pre Covid-19 levels during the first six months of calendar year 2021. 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 and product mix 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 15% increase/decrease in average future sales prices would have increased/decreased the fair value of biological assets on hand and profit before tax by \$17.4m (30 June 2020: 15% increase / decrease \$19.4m) (excludes the impact of finished goods), while a 15.0% increase/decrease in estimated future harvest volume would increase/decrease the fair value of biological assets on hand and profit before tax by \$4.3m (30 June 2020: 15% increase / decrease \$5.8m).

A 15% 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 \$13.1m (30 June 2020: 15% increase / decrease \$13.6m). 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 2020

### 8. RIGHT-OF-USE ASSETS

	Land & Building	Motor Vehicles	Plant & Equipment	UNAUDITED	AUDITED
	000	000	000	31 Dec 2020	30 Jun 2020
UNAUDITED				\$000	\$000
Carrying amount at 1 July 2020	3,133	354	1,094	4,581	4,446
Additions	2,232	139	43	2,414	1,304
Remeasurement	886	13	-	899	268
Depreciation for the period	(494)	(128)	(233)	(855)	(1,437)
<b>Carrying amount as at 31 December or 30 June</b>	<b>5,757</b>	<b>378</b>	<b>904</b>	<b>7,039</b>	<b>4,581</b>
<b>Cost</b>	<b>6,907</b>	<b>676</b>	<b>1,597</b>	<b>9,180</b>	<b>6,018</b>
Accumulated Depreciation	(1,150)	(298)	(693)	(2,141)	(1,437)
<b>Carrying amount as at 31 December or 30 June</b>	<b>5,757</b>	<b>378</b>	<b>904</b>	<b>7,039</b>	<b>4,581</b>

### 9. INTEREST BEARING LOANS AND BORROWINGS

	UNAUDITED	AUDITED
	31 Dec 2020	30 Jun 2020
	\$000	\$000
<b>Current interest bearing loans and borrowings</b>		
Secured bank loans	87	97
Other borrowings	2,527	1,035
<b>Total current interest bearing loans and borrowings</b>	<b>2,614</b>	<b>1,132</b>
<b>Non-current interest bearing loans and borrowings</b>		
Secured bank loans	46,000	37,000
<b>Total non-current interest bearing loans and borrowings</b>	<b>46,000</b>	<b>37,000</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 2022, facility B of \$20m expires on 18 October 2023, and facility C of \$20m expires on 18 October 2024. At balance date \$20m of facility A was drawn, \$20m of facility B was drawn and \$1m of facility C was drawn (30 June 2020 total: \$37m). Subsequent to 30 June 2020 balance date, the financial covenants relating to interest coverage and leverage ratios have been amended and are in place until 30 June 2021, and facility A extended to 18 October 2022. The Company also secured a Business Finance Scheme Loan via BNZ for \$5m that arose from the Government providing financial assistance following the pandemic virus Covid-19. At balance date the Business Finance Scheme loan was fully drawn at \$5m.

### 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 \$46M is considered a reasonable approximation of its fair value due to the short term maturities of the drawings. The Group has the discretion to roll these short term drawings out within facility A (\$20m) to 18 Oct 2022 and facility B (\$20m) to 18 Oct 2023.

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

	UNAUDITED	AUDITED
	31 Dec 2020	30 Jun 2020
	\$000	\$000
<b>Current derivative financial assets</b>		
Forward exchange contracts	4,780	599
Foreign exchange options	954	308
<b>Total Current derivative financial assets</b>	<b>5,734</b>	<b>907</b>
<b>Non-current derivative financial assets</b>		
Forward exchange contracts	19,551	8,361
Foreign exchange options	979	759
<b>Total Non-current derivative financial assets</b>	<b>20,530</b>	<b>9,120</b>
<b>Current derivative financial liabilities</b>		
Forward exchange contracts	130	1,684
Foreign exchange options	51	435
Interest rate swaps	1,515	1,749
<b>Total Current derivative financial liabilities</b>	<b>1,696</b>	<b>3,868</b>
<b>Non-current derivative financial liabilities</b>		
Forward exchange contracts	32	1,642
Foreign exchange options	179	883
Interest rate swaps	-	-
<b>Total non-current derivative financial liabilities</b>	<b>211</b>	<b>2,525</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. There were no transfers between Level 1 and Level 2 during the period ended 31 December 2020

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

### 11. COMMITMENTS AND CONTINGENCIES

#### UNAUDITED

##### Capital commitments

The Group has entered into agreements to purchase plant and equipment. As at 31 December 2020 the total commitment is \$1,653k (30 June 2020: \$2,598k).

##### Contingencies

The Group has a contingent liability at 31 December 2020 of \$837k in respect of a fish transport contract requiring the Group to purchase three bulk tankers (including modifications made in 2018 and 2020), should the fish transport contract be terminated early (30 June 2020: \$784k).

##### Guarantees

The group has three guarantee facilities at 31 December 2020 totalling \$115k (30 June 2020: \$115k).

### 12. CAPITAL AND RESERVES

	UNAUDITED	AUDITED
	31 Dec 2020	30 Jun 2020
Share capital		
Issued shares		
Ordinary shares	138,986	138,986
<b>Total issued shares</b>	<b>138,986</b>	<b>138,986</b>

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. No dividend was declared nor paid during the period ended 31 December 2020 due to impact of the virus Covid-19, (31 December 2019: \$0.02 paid on 20 March 2020).

	# of Shares		Share Capital	
	UNAUDITED	AUDITED	UNAUDITED	AUDITED
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
<b>Movement in ordinary share capital</b>	<b>000</b>	<b>000</b>	<b>\$000</b>	<b>\$000</b>
<i>As at 1 July</i>	138,986	138,571	122,606	122,595
Share issue for employee share scheme	-	415	-	-
Share issue recognised on repayment of employee loans	-	-	-	11
<b>As at 31 December or 30 June</b>	<b>138,986</b>	<b>138,986</b>	<b>122,606</b>	<b>122,606</b>
Shares held as treasury stock	186	4	-	-
<b>Total shares outstanding at 31 December or 30 June</b>	<b>138,800</b>	<b>138,982</b>		

#### 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.

##### Retained earnings

Retained earnings represents the profits retained in the business.

##### Share based payment reserve

The share based payment reserve relates to one long term incentive (LTI) scheme 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 employees must remain in employment for the duration of the vesting or escrow periods before the employees receive the full benefit of share ownership subsequent to repayment of the loan balance remaining at time of vesting.

Share scheme	Grant date	30 June 2020	New shares	Shares	Shares	Shares vested	31 December
		shares not yet vested	issued to custodian	allocated from treasury stock	forfeited to treasury stock		2020 shares not yet vested
		000	000	000	000	000	000
LTI 2017	29/09/2017*	295	-	-	(8)	(287)	-
LTI 2018	27/09/2018	300	-	-	(7)	-	293
LTI 2019	5/11/2019	451	-	-	(181)	-	270
<b>Total share scheme</b>		<b>1,046</b>	<b>-</b>	<b>-</b>	<b>(196)</b>	<b>(287)</b>	<b>563</b>

\* Fully vested in current year

The estimated value of share options was determined using the Black-Scholes pricing calculator and is being amortised over the 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 share price of the Group at time of allocation and the compounded risk free interest rate.

Share allocation price for share schemes

Share scheme	Employee Group 1	Employee Group 2	Employee Group 3	Employee Group 4
LTI 2017	\$1.22	\$1.77	-	-
LTI 2018	\$1.30	\$1.95	\$2.78	-
LTI 2019	\$1.41	\$2.13	-	\$2.20

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

### 13. RELATED PARTY DISCLOSURES

#### Subsidiaries

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

<i>Subsidiary</i>	<i>Country of Incorporation</i>	<i>Equity Interest</i>
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 Limited, The New Zealand King Salmon Pty Limited, and New Zealand King Salmon USA Incorporated is the distribution of salmon.

At balance date Oregon Group Limited owned 40.02% (30 June 2020: 40.02%) and China Resources Ng Fung Limited owned 9.93% (30 June 2020: 9.93%) 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:

	UNAUDITED 31 Dec 2020	UNAUDITED 31 Dec 2019
<b>Related party payments</b>	<b>\$000</b>	<b>\$000</b>
Good and services purchased from other related parties	266	196
<b>Total related party payments</b>	<b>266</b>	<b>196</b>

#### Related party sales

Goods and services sold to related parties	(29)	(1,975)
<b>Total related party sales</b>	<b>(29)</b>	<b>(1,975)</b>

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

	UNAUDITED 31 Dec 2020	AUDITED 30 Jun 2020
<b>Amounts owing to related parties</b>	<b>\$000</b>	<b>\$000</b>
<b>Current amounts owing to related parties</b>	<b>233</b>	<b>149</b>
Other amounts owing to related parties	233	149
<b>Total current amounts owing to related parties</b>	<b>233</b>	<b>149</b>

	UNAUDITED 31 Dec 2020	AUDITED 30 Jun 2020
<b>Amounts owing by related parties</b>	<b>\$000</b>	<b>\$000</b>
Amounts owing by related parties	3	7
<b>Total amounts owing by related parties</b>	<b>3</b>	<b>7</b>

	UNAUDITED 31 Dec 2020	UNAUDITED 31 Dec 2019
<b>Compensation of key management personnel of the Group</b>	<b>\$000</b>	<b>\$000</b>
<b>Key management personnel compensation</b>	<b>996</b>	<b>893</b>
Short-term employee benefits	996	893
Share based payment expense	85	107
Post employment pension and medical benefits	28	48
<b>Total key management personnel compensation</b>	<b>1,109</b>	<b>1,048</b>

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

### 14. DISAGGREGATION OF REVENUE

	UNAUDITED 31 Dec 2020	UNAUDITED 31 Dec 2019
	\$000	\$000
<b>Revenue by Product Group</b>		
Whole Fish	39,109	41,989
Fillets, Steaks & Portions	16,127	17,673
Wood Roasted	7,694	6,478
Cold Smoked	14,468	14,384
Other	4,881	3,665
<b>Total</b>	<b>82,279</b>	<b>84,189</b>

	UNAUDITED 31 Dec 2020	UNAUDITED 31 Dec 2019
	\$000	\$000
<b>Revenue by Brand</b>		
Ora King	30,248	34,832
New Zealand King Salmon	28,163	29,724
Regal	17,435	14,229
Southern Ocean	5,152	4,769
Omega Plus	1,281	635
<b>Total</b>	<b>82,279</b>	<b>84,189</b>

	UNAUDITED 31 Dec 2020	UNAUDITED 31 Dec 2019
	\$000	\$000
<b>Revenue by Market</b>		
New Zealand	35,763	36,102
North America	31,460	30,772
Australia	5,511	5,263
Japan	3,093	3,060
China	932	2,234
Europe	2,639	1,862
Other	2,881	4,896
<b>Total revenue</b>	<b>82,279</b>	<b>84,189</b>

Sales net of settlement discounts to two major customers for the period ended 31 December 2020 accounted for \$19,951k or 24% of total gross revenue, (31 December 2019 one major customer accounted for \$9,619k or 11% of total gross revenue).

### 15. EVENTS AFTER BALANCE DATE

The Group does not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of Covid-19 outbreak, or any future outbreaks at this time. The build-up of finished goods inventories follows a strategic decision to temporarily hold inventories until sales markets return to pre Covid-19 levels in upcoming months when inventories will be sold down. The Group continues its farming and processing operations under Level 1, and continues to pursue its strategy of marketing its branded products across the range of customers, and markets and products. In the event of a Level 4 lockdown the Group anticipates being able to continue to operate as an essential industry.

	UNAUDITED 31 Dec 2020	UNAUDITED 31 Dec 2019
	\$000	\$000
<b>Dividends declared after balance date:</b>		
Interim dividend	-	2,780
	<b>-</b>	<b>2,780</b>

No interim dividend was declared in respect of the 6 months ended 31 December 2020, (31 December 2019: a fully imputed interim dividend of 2 cents was approved on 26 February 2020 and paid 20 March 2020).