

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 JULY 2021**

**1H22**

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FOR THE SIX MONTHS ENDED 31 JULY 2021

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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 34, PwC Tower  
15 Customs 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

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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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# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 JULY 2021

	Note	UNAUDITED 31 July 2021 \$000	UNAUDITED 31 July 2020 \$000
Revenue from contracts with customers	5	80,095	67,016
Cost of goods sold including fair value uplift at point of harvest		(86,621)	(68,507)
Fair value gain on biological transformation	8	30,692	16,418
Freight costs to market		(11,286)	(7,373)
<b>Gross profit</b>		<b>12,880</b>	<b>7,554</b>
Other income		327	3,812
Sales, marketing and advertising expenses		(6,480)	(5,792)
Distribution overheads		(2,800)	(2,130)
Corporate expenses		(4,939)	(5,072)
Other expenses		(102)	(33)
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>(1,114)</b>	<b>(1,661)</b>
Depreciation and amortisation expense		(5,170)	(5,062)
Finance income		16	2
Finance expenses		(1,186)	(995)
<b>(Loss) / Profit before tax</b>		<b>(7,454)</b>	<b>(7,716)</b>
Income tax credit / (expense)		1,858	2,091
<b>(Loss) / Profit after tax</b>		<b>(5,596)</b>	<b>(5,625)</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(82)	(33)
Movement on cash flow hedges		(3,601)	17,754
Income tax effect of movement on cash flow hedges		1,008	(4,971)
		-	
<b>Net other comprehensive income/ (loss)</b>		<b>(2,675)</b>	<b>12,750</b>
<b>Total comprehensive income / (loss)</b>		<b>(8,271)</b>	<b>7,125</b>

		UNAUDITED 31 July 2021	UNAUDITED 31 July 2020
<b>Earnings per share</b>			
Basic earnings per share	6	\$ (0.04)	\$ (0.04)
Diluted earnings per share	6	\$ (0.04)	\$ (0.04)

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 JULY 2021

		UNAUDITED 31 July 2021 \$000	AUDITED 31 January 2021 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,927	3,479
Trade and other receivables		15,559	16,186
Inventories	7	43,363	42,489
Biological assets	8	79,288	69,588
Derivative financial assets	11	2,969	5,413
<b>Total current assets</b>		<b>144,106</b>	<b>137,155</b>
<b>Non-current assets</b>			
Property, plant and equipment		63,072	60,716
Biological assets	8	14,265	18,600
Derivative financial assets	11	1,649	16,354
Intangible assets		9,532	9,126
Right-of-use assets	9	6,333	6,810
Goodwill		39,255	39,255
<b>Total non-current assets</b>		<b>134,106</b>	<b>150,861</b>
<b>TOTAL ASSETS</b>		<b>278,212</b>	<b>288,016</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		25,620	18,597
Employee benefits		3,253	2,857
Borrowings	10	1,508	3,024
Lease liabilities		1,643	1,580
Other financial liabilities	14	233	233
Derivative financial liabilities	11	1,361	1,646
Taxation payable		941	5,074
<b>Total current liabilities</b>		<b>34,559</b>	<b>33,011</b>
<b>Non-current liabilities</b>			
Employee benefits		650	696
Borrowings	10	39,250	39,250
Lease liabilities		4,848	5,389
Deferred tax liabilities		14,130	16,923
Derivative financial liabilities	11	438	204
<b>Total non-current liabilities</b>		<b>59,316</b>	<b>62,462</b>
<b>TOTAL LIABILITIES</b>		<b>93,875</b>	<b>95,473</b>
<b>NET ASSETS</b>		<b>184,337</b>	<b>192,543</b>
<b>EQUITY</b>			
Share capital	13	122,606	122,606
Reserves		15,676	18,286
Retained earnings		46,055	51,651
<b>TOTAL EQUITY</b>		<b>184,337</b>	<b>192,543</b>

## Net tangible assets per share

Net tangible assets per share \$ 0.98 \$ 1.04

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 29 September 2021*

Director

29 September 2021

Director

29 September 2021

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 JULY 2021

	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 February 2021</b>	122,606	(1,162)	18,474	974	51,651	192,543
Profit / (loss) for the period	-	-	-	-	(5,596)	(5,596)
Other comprehensive income/(loss)	-	(82)	(2,593)	-	-	(2,675)
<b>Total comprehensive income/(loss) for the period</b>	-	(82)	(2,593)	-	(5,596)	(8,271)
Share based payment expense	-	-	-	65	-	65
<b>Balance as at 31 July 2021</b>	<b>122,606</b>	<b>(1,244)</b>	<b>15,881</b>	<b>1,039</b>	<b>46,055</b>	<b>184,337</b>
<b>UNAUDITED</b>						
<b>Balance as at 1 February 2020</b>	122,606	(564)	(3,487)	775	65,798	185,128
Profit / (loss) for the period	-	-	-	-	(5,625)	(5,625)
Other comprehensive income/(loss)	-	(33)	12,783	-	-	12,750
<b>Total comprehensive income/(loss) for the period</b>	-	(33)	12,783	-	(5,625)	7,125
Dividends paid - ordinary	-	-	-	-	(2,602)	(2,602)
Share based payment expense	-	-	-	102	-	102
<b>Balance as at 31 July 2020</b>	<b>122,606</b>	<b>(597)</b>	<b>9,296</b>	<b>877</b>	<b>57,571</b>	<b>189,753</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 JULY 2021

	UNAUDITED 31 July 2021 \$000	UNAUDITED 31 July 2020 \$000
<b>Operating activities</b>		
Receipts from customers	80,385	72,141
Payments to suppliers	(59,303)	(49,944)
Payments to employees	(21,087)	(21,123)
Interest received	16	2
Interest paid	(760)	(658)
Insurance and settlement income	-	3
Government grants received	285	3,869
Proceeds from foreign currency forward contracts closed early	13,495	-
Income tax paid	(4,058)	320
<b>Net cash flows (used in) / from operating activities</b>	<b>8,973</b>	<b>4,610</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	8	9
Purchase of property, plant and equipment	(6,440)	(7,253)
Purchase of intangible assets	(747)	(346)
<b>Net cash flow (used in) / from investing activities</b>	<b>(7,179)</b>	<b>(7,590)</b>
<b>Financing activities</b>		
Proceeds from borrowings	72,000	86,084
Repayment of borrowings	(73,516)	(78,070)
Gross proceeds from share issue	-	11
Dividends paid	-	(2,602)
Payment of lease liabilities	(852)	(805)
<b>Net cash flows (used in) / from financing activities</b>	<b>(2,368)</b>	<b>4,618</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(574)</b>	<b>1,638</b>
Net foreign exchange difference	22	(33)
Cash and cash equivalents at 1 February	3,479	3,730
<b>Cash and cash equivalents at 31 July</b>	<b>2,927</b>	<b>5,335</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 JULY 2021

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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 July 2021 were authorised by the Directors on 29 September 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 July 2021 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 July 2021 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 31 January 2021 which were prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

The interim consolidated financial statements for the six months ended 31 July 2021 are unaudited. Comparative information for the interim consolidated statement of financial position is at 31 January 2021 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 31 July 2020 and is unaudited. Comparative information are not what was previously reported due to the change in balance date.

### 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 31 January 2021.

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 period ended 31 January 2021.

### d. Covid-19

While the impacts of the Covid-19 pandemic have continued to manifest during the reporting period, there remains some uncertainty over the ongoing impact. This uncertainty is reflected in the Group's estimates of the net realisable value of inventory. The net realisable value estimates the obsolescence and unmarketable items at the end of the reporting period based on assumptions of future demand within a specific time horizon.

## 3. SEASONALITY

The Group's business is seasonal with higher sales in the summer months and higher 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.

## 4. NEW STANDARDS ADOPTED AND STANDARDS ISSUED NOT YET ADOPTED

### a. New standards adopted

There have been no new standards adopted during the 6 months to 31 July 2021.

### b. New standards not yet adopted

Following recent IFRIC decision on accounting for cloud computing costs, the Company is still reviewing potential impact and will have the review finalised in time for its full year end financial statements as at 31 January 2022.



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 JULY 2021

## 5. SEGMENT INFORMATION

### Segment results

The Group's strategy is to maximise longer term sales and overall margins by focusing on branded, premium priced and differentiated sales across its range of markets, channels and customers. The operating results of the whole business are monitored for the purpose of making decisions about resource allocating and performance. Accordingly, the Group is considered to consist of one operating segment.

Segment performance - Refer also Note 15 for detail of disaggregation of revenue by product, brand and geographical area.

	UNAUDITED 31 July 2021 \$000	UNAUDITED 31 July 2020 \$000
Revenue	80,095	67,016
Segment EBITDA	(1,114)	(1,661)
Segment EBITDA reconciles to profit / (loss) before income tax as follows:		
	UNAUDITED 31 July 2021 \$000	UNAUDITED 31 July 2020 \$000
Segment EBITDA	(1,114)	(1,661)
Depreciation, amortisation and impairment	(5,170)	(5,062)
Net finance costs	(1,170)	(993)
Group profit / (loss) before tax	(7,454)	(7,716)

## 6. 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 July 2021 \$000	UNAUDITED 31 July 2020 \$000
Earnings per share		
Profit / (loss) attributable to ordinary equity holders	(5,596)	(5,625)
	# of Shares 000	# of Shares 000
Weighted average number of ordinary shares for diluted earnings per share	138,986	138,986
Basic earnings per share	\$ (0.04)	\$ (0.04)
Diluted earnings per share	\$ (0.04)	\$ (0.04)

## 7. INVENTORIES

	UNAUDITED 31 July 2021 \$000	AUDITED 31 January 2021 \$000
Inventories		
Raw materials	16,563	11,853
Work in progress	1,935	2,748
Finished goods	24,865	27,888
Total inventories	43,363	42,489
Amount of inventories recognised as an expense in the statement of comprehensive income		
	UNAUDITED 31 July 2021 \$000	UNAUDITED 31 July 2020 \$000
Cost of inventories recognised as an expense	87,590	68,300
Movement in net realisable value provision	(969)	207
Total cost of goods sold including fair value uplift at point of harvest	86,621	68,507

The cost of inventories recognised as an expense for the period ended 31 July 2021 includes a fair value uplift at point of harvest of \$23,348k, (31 July 2020: \$24,301k). This cost is included in cost of goods sold in the Statement of Comprehensive Income.

## 8. 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 Biological assets	Cost \$000	Fair value \$000	Total \$000
As at 1 February 2021	55,025	33,163	88,188
Increase due to biological transformation <sup>1</sup>	42,189	25,947	68,136
Decrease due to harvest <sup>2</sup>	(33,849)	(23,280)	(57,129)
Decrease due to mortality <sup>3</sup>	(10,387)	-	(10,387)
Changes in fair value <sup>4</sup>	-	4,745	4,745
As at 31 July 2021	52,978	40,575	93,553

<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 JULY 2021

## BIOLOGICAL ASSETS (CONTINUED)

UNAUDITED Biological assets	Cost \$000	Fair value \$000	Total \$000
As at 1 February 2020	53,856	50,178	104,034
Increase due to biological transformation <sup>1</sup>	40,486	17,805	58,291
Decrease due to harvest <sup>2</sup>	(30,399)	(28,678)	(59,077)
Decrease due to mortality <sup>3</sup>	(8,274)	-	(8,274)
Changes in fair value <sup>4</sup>	-	(1,387)	(1,387)
As at 31 July 2020	55,669	37,918	93,587

<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 Biological assets	Cost \$000	Fair value \$000	Total \$000
As at 1 July 2020	53,704	38,674	92,379
Increase due to biological transformation <sup>1</sup>	51,807	33,726	85,533
Decrease due to harvest <sup>2</sup>	(42,233)	(34,860)	(77,093)
Decrease due to mortality <sup>3</sup>	(8,253)	-	(8,253)
Changes in fair value <sup>4</sup>	-	(4,377)	(4,377)
As at 31 January 2021	55,025	33,163	88,188

	UNAUDITED 31 July 2021 \$000	UNAUDITED 31 July 2020 \$000
Fair value gain / (loss) recognised in profit and loss		
Gain arising from growth of biological assets	25,947	17,805
Movement in fair value of biological assets	4,745	(1,387)
Total fair value gain on biological transformation	30,692	16,418

	UNAUDITED 31 July 2021 tonnes	UNAUDITED 31 July 2020 tonnes
Harvested biomass		
Total live weight harvested for the period	3,903	4,070

	UNAUDITED 31 July 2021 tonnes	AUDITED 31 January 2021 tonnes
Estimated closing biomass		
Closing fresh water stocks	138	173
Closing seawater stocks	6,335	6,691
Total estimated closing biomass live weight	6,473	6,864

### 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 July 2021 has increased from the prior period end (31 January 2021) estimation due to core sales volumes broadly returning to pre-Covid levels as expected. While price increases have been implemented, some costs of producing and shipping product still remain higher than normal. 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 \$19.5m (31 January 2021: 15% increase / decrease \$18.3m) (excludes the impact of finished goods), while a 15% increase/decrease in estimated future harvest volume would increase/decrease the fair value of biological assets on hand and profit before tax by \$5.5m (31 January 2021: 15% increase / decrease \$2.1m).

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 \$14.5m (31 January 2021: 15% increase / decrease \$15m). 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 JULY 2021

## 9. RIGHT-OF-USE ASSETS

	Land & Building 000	Motor Vehicles 000	Plant & Equipment 000	UNAUDITED 31 July 2021 \$000	AUDITED 31 January 2021 \$000
<b>UNAUDITED</b>					
Carrying amount at 01 February or 01 July	5,589	354	867	6,810	4,581
Additions	-	235	-	235	2,413
Remeasurement	233	7	-	240	796
Depreciation for the period	(602)	(113)	(238)	(953)	(980)
<b>Carrying amount as at 31 July or 31 January</b>	<b>5,220</b>	<b>483</b>	<b>629</b>	<b>6,333</b>	<b>6,810</b>
<b>Cost</b>	<b>7,037</b>	<b>918</b>	<b>1,597</b>	<b>9,552</b>	<b>9,227</b>
Accumulated Depreciation	(1,817)	(435)	(968)	(3,219)	(2,417)
<b>Carrying amount as at 31 July or 31 January</b>	<b>5,220</b>	<b>483</b>	<b>629</b>	<b>6,333</b>	<b>6,810</b>

## 10. INTEREST BEARING LOANS AND BORROWINGS

	UNAUDITED 31 July 2021 \$000	AUDITED 31 January 2021 \$000
<b>Current interest bearing loans and borrowings</b>		
Secured bank loans	750	750
Other borrowings	758	2,274
<b>Total current interest bearing loans and borrowings</b>	<b>1,508</b>	<b>3,024</b>
<b>Non-current interest bearing loans and borrowings</b>		
Secured bank loans	39,250	39,250
<b>Total non-current interest bearing loans and borrowings</b>	<b>39,250</b>	<b>39,250</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, \$15m of facility B was drawn and facility C was undrawn (as at 31 January 2021 total: \$35m). The Company also secured a Business Finance Scheme Loan via BNZ for \$5m (expiry October 2025) 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.

## 11. 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 \$40m 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 within facility B (\$20m) to 18 Oct 2023.

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

	UNAUDITED 31 July 2021 \$000	AUDITED 31 January 2021 \$000
<b>Current derivative financial assets</b>		
Forward exchange contracts	2,410	4,509
Foreign exchange options	559	904
<b>Total Current derivative financial assets</b>	<b>2,969</b>	<b>5,413</b>
<b>Non-current derivative financial assets</b>		
Forward exchange contracts	1,057	15,454
Foreign exchange options	592	900
<b>Total Non-current derivative financial assets</b>	<b>1,649</b>	<b>16,354</b>
<b>Current derivative financial liabilities</b>		
Forward exchange contracts	254	94
Foreign exchange options	40	61
Interest rate swaps	1,067	1,491
<b>Total Current derivative financial liabilities</b>	<b>1,361</b>	<b>1,646</b>
<b>Non-current derivative financial liabilities</b>		
Forward exchange contracts	226	18
Foreign exchange options	212	186
Interest rate swaps	-	-
<b>Total non-current derivative financial liabilities</b>	<b>438</b>	<b>204</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 July 2021.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 JULY 2021

## 12. COMMITMENTS AND CONTINGENCIES

### UNAUDITED

#### Capital commitments

The Group has entered into agreements to purchase plant and equipment. As at 31 July 2021 the total commitment is \$4,202k (31 January 2021: \$1,629k).

#### Contingencies

The Group has a contingent liability at 31 July 2021 of \$772k 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 (31 January 2021: \$826k).

#### Guarantees

The group has three guarantee facilities at 31 July 2021 totalling \$131k (31 January 2021: \$115k).

## 13. CAPITAL AND RESERVES

	UNAUDITED 31 July 2021	AUDITED 31 January 2021
<b>Share capital</b>		
<b>Issued shares</b>	000	000
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 6 months to 31 July 2021 (6 months to 31 July 2020: fully imputed interim dividend of \$0.02 per share was paid on 20 March 2020).

	# of Shares		Share Capital	
	UNAUDITED	AUDITED	UNAUDITED	AUDITED
	31 July 2021	31 January 2021	31 July 2021	31 January 2021
<b>Movement in ordinary share capital</b>	<b>000</b>	<b>000</b>	<b>\$000</b>	<b>\$000</b>
<i>As at 1 February or 1 July</i>	138,986	138,986	122,606	122,606
Share issue for employee share scheme	-	-	-	-
Share issue recognised on repayment of employee loans	-	-	-	-
<i>As at 31 July or 31 January</i>	<b>138,986</b>	<b>138,986</b>	<b>122,606</b>	<b>122,606</b>
Shares held as treasury stock	313	232	-	-
<b>Total shares outstanding at 31 July or 31 January</b>	<b>138,673</b>	<b>138,754</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	31 January 2021 shares not yet vested 000	New shares issued to custodian 000	Shares allocated from treasury stock 000	Shares forfeited to treasury stock 000	Shares vested 000	31 July 2021 shares not yet vested 000
LTI 2018	27/09/2018	271	-	-	(43)	-	228
LTI 2019	5/11/2019	251	-	-	(38)	-	213
<b>Total share scheme</b>		<b>522</b>	<b>-</b>	<b>-</b>	<b>(81)</b>	<b>-</b>	<b>441</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 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 JULY 2021

### 14. 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% (31 January 2021: 40.02%) and China Resources Ng Fung Limited owned 9.96% (31 January 2021: 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 financial year:

	UNAUDITED 31 July 2021 \$000	UNAUDITED 31 July 2020 \$000
<b>Related party payments</b>		
Goods and services purchased from other related parties	186	181
<b>Total related party payments</b>	<b>186</b>	<b>181</b>

#### Related party sales

Goods and services sold to related parties	-	-
<b>Total related party sales</b>	<b>-</b>	<b>-</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 July 2021 \$000	AUDITED 31 January 2021 \$000
<b>Amounts owing to related parties</b>		
<b>Current amounts owing to related parties</b>		
Other amounts owing to related parties	(233)	(233)
<b>Total current amounts owing to related parties</b>	<b>(233)</b>	<b>(233)</b>

	UNAUDITED 31 July 2021 \$000	AUDITED 31 January 2021 \$000
<b>Amounts owing by related parties</b>		
Amounts owing by related parties	-	3
<b>Total amounts owing by related parties</b>	<b>-</b>	<b>3</b>

	UNAUDITED 31 July 2021 \$000	UNAUDITED 31 July 2020 \$000
<b>Compensation of key management personnel of the Group</b>		
<b>Key management personnel compensation</b>		
Short-term employee benefits	954	878
Share based payment expense	81	121
Post employment pension and medical benefits	78	30
<b>Total key management personnel compensation</b>	<b>1,113</b>	<b>1,029</b>

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 JULY 2021

### 15. DISAGGREGATION OF REVENUE

	UNAUDITED 31 July 2021 \$000	UNAUDITED 31 July 2020 \$000
<b>Revenue by Product Group</b>		
Whole Fish	40,055	31,506
Filletts, Steaks & Portions	17,142	13,342
Wood Roasted	6,245	5,779
Cold Smoked	12,013	11,927
Other	4,640	4,462
<b>Total</b>	<b>80,095</b>	<b>67,016</b>

	UNAUDITED 31 July 2021 \$000	UNAUDITED 31 July 2020 \$000
<b>Revenue by Brand</b>		
Ōra King	26,989	24,917
New Zealand King Salmon	32,323	21,907
Regal	15,127	15,307
Southern Ocean	4,479	3,870
Omega Plus	1,177	1,015
<b>Total</b>	<b>80,095</b>	<b>67,016</b>

	UNAUDITED 31 July 2021 \$000	UNAUDITED 31 July 2020 \$000
<b>Revenue by Market</b>		
New Zealand	33,294	28,806
North America	29,778	25,880
Australia	5,076	3,930
Japan	6,032	1,926
China	366	1,204
Europe	2,543	1,547
Other	3,006	3,723
<b>Total revenue</b>	<b>80,095</b>	<b>67,016</b>

Sales net of settlement discounts to two major customers for the 6 months period ended 31 July 2021 totalled \$ 8.2m or 10.27% of total gross revenue, (6 months to 31 July 2020 one major customer totalled \$8.6m or 12.92% of total gross revenue).

### 16. EVENTS AFTER BALANCE DATE

#### Covid-19

Following the confirmation of community transmission of the Covid-19 delta variant on 17 August 2021, the Government announced a range of alert level lockdowns across New Zealand. Subsequent announcements were also made and at date of signing these financial statements the Auckland region is in alert level 3 with the rest of the country in alert level 2. As noted in Note 2.d. the forecast assumptions in relation to the net realisable value remains reasonable.

#### Open ocean consent

A hearing date has been established for the open ocean farming consent application in October 2021.

#### Dividend

No final dividend was declared in respect of the 6 months ended 31 July 2021 (7 month period to 31 January 2021: Nil).