



ENABLING  
GROWTH

---







# Introducing New Zealand King Salmon

---

**We believe in creating the ultimate salmon experience, and, with more than 30 years of history in farming and processing this rare species, and as the world's largest producer, we consider ourselves the King salmon experts.**

We're proud that our King salmon is the highest-quality, tastiest salmon you can get, but we're also invested in making sure our salmon is one of the most environmentally friendly ways to grow nutritious and safe protein.

Our high-value brands each target the needs of a specific customer segment, with stories connecting our special place, product and people with a discerning audience of consumers, chefs and trade professionals around the world.

With our premium foodservice brand, Ōra King, we are one of the first protein companies in the world to achieve branding all the way through to the restaurant menu.

Our leading retail brand, Regal, is positioned around Marlborough's unique provenance story with significant consumer recognition in New Zealand. Southern Ocean, our other retail brand, is loved by consumers for its value and convenience.

In September 2016, we launched a premium pet food brand – Omega Plus – into a new consumer category, using our King salmon by-products as the number-one ingredient.

Our international markets are also an important part of our business, with established profitable markets in North America, Australia and Japan and a growing presence across the rest of Asia and in Europe.

As wild salmon availability plateaus, and premiumisation of diets occurs in increasingly affluent markets worldwide, we anticipate demand to continue to grow for our world-leading portfolio of King salmon brands.

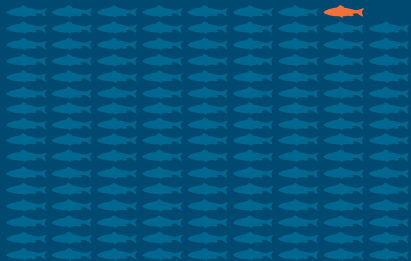
**“Proudly growing and processing a unique breed of King salmon in our home, the Top of the South, New Zealand.”**



ONLY

**0.7%**

OF THE WORLD'S  
SALMON IS  
KING SALMON



WE SUPPLY  
MORE THAN

**50%**

OF THE WORLD'S  
FARMED KING  
SALMON



**3.9kg**

AVERAGE  
HARVEST  
SIZE



METRIC TONNES HARVESTED

**14.5%** INCREASE ON FY16

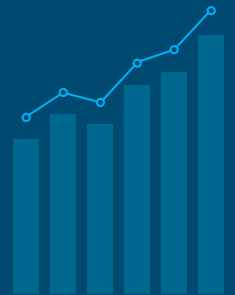
**17**

SURFACE HECTARES  
OF SALMON FARM SPACE



REVENUE OF

**\$136.4** million



NET PROFIT  
AFTER TAX



**\$22.8**



million

PRO FORMA  
OPERATING  
EBITDA

**\$21.6** million



12.6% ABOVE FY17 PDS FORECAST

# ENABLING

FEED CONVERSION RATIO (FCR)



KING SALMON

1.7x

VS

LAND PROTEIN UP TO



9x



91.5%

SEAWATER SURVIVAL  
A 6.0% IMPROVEMENT ON FY16

REGAL BRAND AWARENESS IN NEW ZEALAND



85%



12

NEW OMEGA PLUS PET FOOD PRODUCTS



850+

RESTURANTS FEATURING ŌRA KING ON THE MENU

21

NEW JOBS IN FY17



LOST TIME INJURY FREQUENCY RATE (LTIFR) DOWN

34.8%



TOP OF THE SOUTH



424 PEOPLE

994 SUPPLIERS

389 SHAREHOLDERS

G R O W T H



John Ryder  
CHAIRMAN



Grant Rosewarne  
MANAGING  
DIRECTOR & CEO

## CHAIR & CEO REPORT

**This year marks a significant milestone in New Zealand King Salmon's journey, as we approach the end of our first year as a public company, with a commitment to greater transparency, stakeholder engagement and value creation. We are very proud to be part of the premium food and wine story in the Top of the South of New Zealand.**

We are a New Zealand company with strong international connections. The vast majority of our Board and Senior Leadership team are Kiwis, our head office is in Nelson, our seafarms are in Marlborough, our hatcheries are in Takaka, Southbridge and Waiau, 90% of our people are employed in the Top of the South and all of our value added processing is carried out locally. However, we select our talent from the best the world has to offer and have been able to attract international investment.

We have a strong desire for Kiwis to have ongoing access to locally grown King salmon through our supermarket and restaurant partners – we believe that if the people of New Zealand know and love our brands, we will be more connected with our communities, have a greater social license to grow and deliver more value back to our stakeholders.

With our strong reach into international markets, we also take New Zealand's food story to the world contributing to the growth of brand 'New Zealand' amongst chefs, restaurateurs, retailers and high-value consumers.

Our successful initial public offering (IPO) in October 2016 was a high point in a year characterised by growth. Through this process, New Zealand King Salmon raised \$30 million in new equity to invest in production capacity and working capital to establish and grow our new sea farms and to undertake operational improvements.

The IPO process has been very positive in terms of the investor interest and scrutiny for our business – prompting us to actively

review our strategy and points of difference, as well as the flexibility, resilience and risk mitigation we build into our activities.

Our year's results are strong and credible, bringing to fruition many years of hard work and enabling us to lay a foundation for further growth. Throughout all our activities, we aim to operate a safe, healthy environment for our people, fostering talent internally and encouraging a diverse, dedicated workforce able to live and work in the Top of the South and provide for their families.

### FINANCIAL UPDATE

Following the completion of the year to 30 June 2017, we are pleased to confirm a strong financial result.

Statutory net profit after tax was \$22.8 million compared to \$2.6 million for the year to 30 June 2016 with this increase primarily being driven by fair value gains associated with an increase in biomass at sea.

In June we updated our Pro forma operating earnings before interest, taxation, depreciation, and amortisation (EBITDA) guidance from \$19.2 million to a range of \$20.5 to \$21.0 million. We are pleased to report a Pro forma EBITDA of \$21.6 million. This is in excess of the upper limit of the range indicated, 12.6% above the full year FY17 forecast as presented in our Product Disclosure Statement dated 23 September 2016.

The increase in Pro forma EBITDA was due to additional sales volumes available from our new sea farms, and improved fish performance in our peak summer season.

Pro forma operating results reverse out the impact of fair-value gains, non-recurring costs relating to our IPO, the closing out of redundant interest rate swaps, a one-off supplier settlement gain, and costs incurred in relation to the Ministry for Primary Industry's (MPI) consultation process for the possible relocation of six of our Marlborough salmon farm sites.<sup>1</sup>

For the year, the total volume sold was 7,223 metric tonnes, which was 1,108 metric tonnes above sales for the prior

<sup>1</sup> A full reconciliation of net profit before tax to pro forma operating NPAT can be found on page 11.



comparable period, an increase of 18.1%. Pro forma EBITDA for the same period was up 35.0%. The total closing biomass of fish was up by 36.1% on the same time a year ago, principally due to the introduction of new sea farms.

The Board is pleased to advise that a fully imputed dividend of 2.0 cents per share and a one-off fully imputed special dividend of 1.0 cent per share have been declared and was paid on 18 September 2017.

**BUSINESS UPDATE**

This year we commenced harvesting from two of the three new sea farms, Ngamahau and Waitata, with Kopāua to follow shortly.

With domestic and international sales under our flagship brands, Ōra King, Regal and Southern Ocean, as well as the local launch of our exciting new pet food brand Omega Plus, we exported to 15 countries.

Market and channel diversification supported our growth in 2017, with the addition of the Chinese market for our premium foodservice brand Ōra King. We also grew our North American market significantly with the addition of more than 450 metric tonnes of high-value sales, and undertook market research and business development in the US market as the first stage in introducing our premium domestic retail brand, Regal, into international markets.

With this growth, we have created a solid platform to achieve our PFI objectives in our first two years as a listed company.

**AQUACULTURE’S ROLE IN THE FUTURE OF FOOD**

As an industry, salmon farming is still in its infancy and though we readily admit we can always do better, salmon farming starts from a position today where many terrestrial farming models would be delighted to finish. Salmon is one of the most efficient ways to produce animal protein because of an exceptional feed-conversion ratio and minimal space requirements. This results in a relatively benign effect on the environment which naturally self-remediates relatively quickly. Salmon farming generally benchmarks favourably against its animal protein alternatives on most sustainability metrics, with the lowest arable land and irrigation water requirements of the farmed animal protein producers, and a lower carbon footprint. In addition, the long chain Omega 3 oils found in King salmon are renowned as an important part of a healthy diet.

Norway has done an amazing job leading the way with salmon aquaculture and is a role model for the industry. However, our company has some significant advantages over all other salmon producing countries. We are the most highly branded salmon grower,<sup>2</sup> we farm the most premium species and King salmon is resistant to amoebic gill disease and sea lice, two serious issues for the international industry. The Norwegian model shows the potential for a well-managed and sustainable aquaculture industry, producing over 1.32 million metric tonnes of salmon and trout – more than 100 times that of New Zealand’s aquaculture segment – in a similar geographic footprint. We could create a smaller but significant opportunity in New Zealand.

**“Our year’s results are strong and credible, bringing to fruition many years of hard work and have enabled us to build for further growth.”**

— Grant Rosewarne, Managing Director & CEO

Farming in the most suitable water space is critical to delivering on this opportunity and this means deep, high-flow, cooler water conditions. Over the course of this year, we participated in a MPI-led consultation process to relocate six of our lower-flow Marlborough salmon farm sites to more suitable locations for improved environmental and economic outcomes. At the time of writing, the Minister’s decision is still to be announced, however, if all six new sites were to be approved and implemented, that’s up to 407 additional direct and indirect jobs forecast for the region.

We also have ambitious plans to lead the way in the aquaculture, seafood and, ultimately, the food industry, in broader sustainability, best practice and innovation goals. With this in mind, we have recently commenced a deeper assessment of our sustainability context to develop a broader framework for our future activity in this space. Our first sustainability report is due out later this year.

Our new division, Omega Innovations, is already contributing to our sustainability goals. Established in 2015 to drive better use of by-product, whilst diversifying the portfolio of high-value products that New Zealand King Salmon offers, the Omega Plus pet food range is the first commercial launch in the Omega Innovations portfolio, with future plans to expand into other categories where our unique fish gives us a competitive advantage.

**OUTLOOK**

In the near term, the Board has reaffirmed its full year FY18 forecast for a pro forma operating EBITDA of \$22.4 million as presented in its Product Disclosure Statement dated 23 September 2016. The longer-term outlook for the company is also positive with strong demand building for our premium brands supported by global food and health trends.

The Board would like to acknowledge the contribution of our team to New Zealand King Salmon’s ongoing success. To all our team members, our customers, community, shareholders and suppliers, thank you for your support and enabling our company to grow.



John Ryder  
**CHAIRMAN**



Grant Rosewarne  
**MANAGING DIRECTOR & CEO**

<sup>2</sup> As measured by NZKS internal criteria.

## PROSPECTIVE FINANCIAL INFORMATION

Your Board is pleased to announce Net profit after tax of \$22.8m for the full FY17 year. This result is up significantly on both FY16 and the Prospective Financial Information (PFI) as included in our Product Disclosure Statement (PDS). Pro Forma operating EBITDA, a metric used extensively by your Board as an indication of underlying profitability for the group for FY17 was \$21.6 million, \$2.4 million (or 12.6%) above our PFI forecast and 35.1% above FY16. This strong result reflects ongoing strength in demand for our products both domestically and offshore, coupled with an increase in volumes as production from our new farms comes online, and improved biological performance indicators.



*John Ryder & Grant Rosewarne ring the bell for the company's NZX listing, October 2016*

The table below summarises the key financial metrics for the business for FY17:

### FINANCIAL PERFORMANCE – KEY INDICATORS

Income Statement (\$000)	2017			2016
	Actual	PDS		Actual
Sales Volume [mt]	7,223	6,939	▲	6,115
Revenue	136.4	130.1	▲	114.1
EBITDA	38.5	21.1	▲	13.8
Pro Forma EBITDA	21.6	19.2	▲	16.0
Net Profit After Tax (NPAT)	22.8	10.1	▲	2.6
Pro Forma Operating NPAT	11.8	10.0	▲	7.9
Total assets	204.5	187.2	▲	165.7
Cash and cash equivalents	10.6	5.5	▲	2.4
Total liabilities	45.8	42.6	▼	128.7
Net cash/ (debt) *	0.1	(4.9)	▲	(17.1)
Net cash flows from operating activities	5.3	6.6	▼	4.1

\*excludes Shareholder loans

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

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

Reconciliation of Non-GAAP to GAAP Financials	2017		2016
	Actual	PDS	Actual
<b>Net Profit/ (Loss) After Tax</b>	<b>22,764</b>	<b>10,123</b>	<b>2,593</b>
Add Back:			
Depreciation, amortisation and impairment	4,366	4,776	5,281
Net financing cost	1,802	1,064	5,150
Income tax expense/ (income)	9,601	5,136	792
<b>Statutory EBITDA</b>	<b>38,533</b>	<b>21,099</b>	<b>13,816</b>
Deduct:			
Fair value (gains) / losses	(17,962)	(4,904)	286
<b>Operating EBITDA</b>	<b>20,571</b>	<b>16,195</b>	<b>14,102</b>
Pro Forma adjustments:			
<b>Non-recurring or infrequent items</b>			
Consent swap expense write off	846	-	374
Fair value gain on employee loans	-	-	(203)
Offer costs	1,970	2,984	841
Supplier settlement gain	(1,784)	-	-
	<b>1,032</b>	<b>2,984</b>	<b>1,012</b>
<b>Timing adjustments</b>			
Japanese Yen FX contract close out	-	-	2,091
Fire insurance claim	-	-	(515)
	-	-	<b>1,576</b>
<b>Structural changes</b>			
Incremental listed company costs	-	-	(700)
<b>Pro Forma Operating EBITDA</b>	<b>21,603</b>	<b>19,179</b>	<b>15,990</b>
Deduct:			
Depreciation and amortisation	(4,366)	(4,776)	(4,244)
Net financing cost	(878)	(413)	(1,370)
Income tax (expense) / income	(4,567)	(3,945)	(2,514)
<b>Pro Forma Operating NPAT</b>	<b>11,792</b>	<b>10,045</b>	<b>7,862</b>

In calculating Pro Forma Operating NPAT the financing cost and income tax expense differ from statutory due to the:

- Normalisation of the capital structure to the ongoing post IPO structure.
- Adjusting of income tax to reflect tax expense on Pro Forma Operating EBITDA.

## BIOLOGICAL PERFORMANCE – KEY INDICATORS

Biological performance indicators that we measure showed a general improvement during FY17. The improvement in these markers contributed to an overall improvement in the total harvest to 7,232mt which was 6.0% ahead of our PDS forecast.

Most notable was the improvement in mortality rates, which lowered to 8.5% of biomass. This significant improvement reflects:

- Superior fish performance from our new high flow sites (Waitata, Ngamahau and Kopāua).
- Improvements in diet with the use of specialty summer diets over summer.
- A milder than usual summer with lower than average water temperatures.
- Operational improvements including the use of oxygenation equipment to raise dissolved oxygen levels in the water.

Improved survival, an increase in harvest volume and increases in average fish size lead to an increase in feed discharged over that included in the PDS forecast. The feed discharged in FY17 remains comfortably within the feed discharge limits and is actively monitored and managed to ensure compliance with our resource consents.

The feed conversion ratio (FCR) showed a significant improvement on FY16 as benefits were seen from changes to diet, however this remains above our PDS forecasts. We continue efforts to further improve FCR and are working with Seafood Innovations Ltd, the Cawthron Institute, and existing and prospective international feed partners to undertake research into improving feed for the King Salmon species.

The table below shows key biological measures against the actual performance and the 2017 forecast detailed in the PDS.

Income Statement (\$000)	2017			2016
	Actual	PDS		Actual
Harvest Volume [mt]	7,232	6,823	▲	6,314
Feed Conversion Ratio (FCR)	1.84	1.76	▼	1.91
Mortality as a % of Biomass	8.5%	11.0%	▲	13.7%
Closing Livestock Biomass [mt]	6,227	6,115	▲	4,574
Feed volume [mt]	18,948	17,602	▲	15,991



# Creating the Ultimate Salmon Experience

---

**New Zealand King Salmon's company purpose is "creating the ultimate salmon experience". Across the business, all our team members contribute to this purpose in New Zealand and around the world, for the benefit of our team, our community, our customers and our shareholders.**

We aim to create an outstanding sensory experience; the ultimate salmon experience. This might be experiencing an exquisite salmon dish in a fine restaurant, choosing fresh King salmon over the seafood counter for a healthy meal, treating your pet or even visiting a salmon farm for a behind-the-scenes tour.



RESILIENT



INCLUSIVE



COMMUNITY LEADERS



PROFESSIONAL



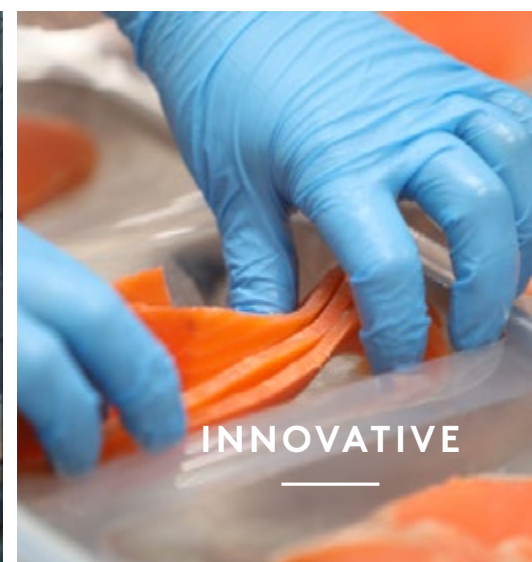
CARING



ENTHUSIASTIC



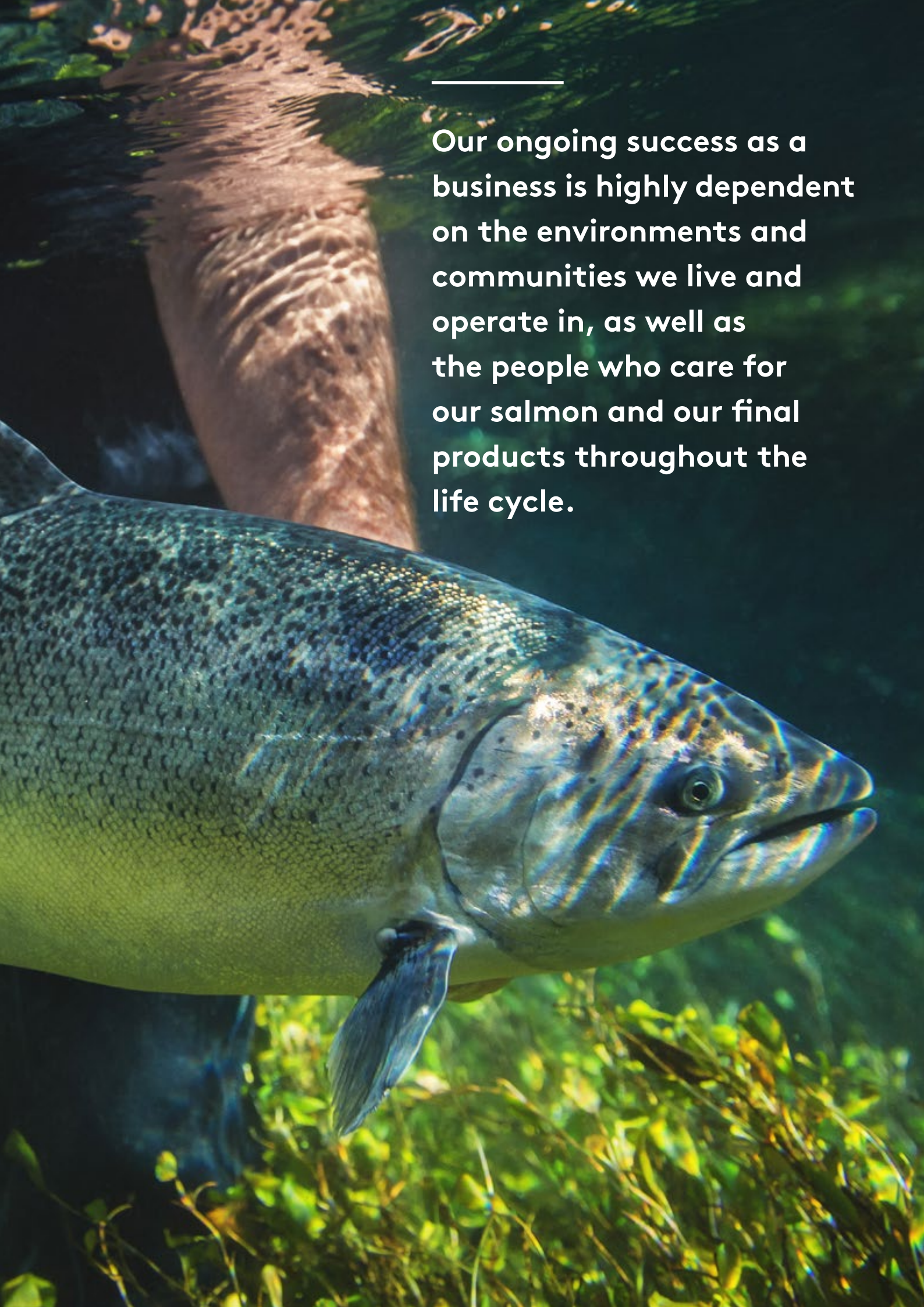
HONEST



INNOVATIVE



WE CARE ABOUT  
SUSTAINABILITY

A close-up photograph of a salmon swimming in clear water. The salmon is the central focus, showing its detailed scales and fins. In the background, a person's leg is visible, suggesting the fish is being held or supported. The water is clear, and there are some green plants at the bottom.

---

**Our ongoing success as a business is highly dependent on the environments and communities we live and operate in, as well as the people who care for our salmon and our final products throughout the life cycle.**



## OUR APPROACH TO SUSTAINABILITY

**At New Zealand King Salmon, we grow a high-quality, natural product, and our ongoing success as a business is highly dependent on the environments and communities we live and operate in, as well as the people who care for our salmon and our final products throughout the life cycle.**

New Zealand King Salmon aspires to a keen awareness of, and appropriate measures to mitigate, the environmental effects of our activities throughout our entire business. We also strive for the prosperity and ongoing development of our people, our stakeholders and our community, through our business activity.

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

Our business is vertically integrated all the way from our freshwater hatcheries to the final despatch to our customers.

Historically, when sustainability is discussed in relation to our business, attention focuses on our sea water operations. We will continue to strive towards best practice in our sea farms, including the implementation of the Best Management Practice Guidelines developed with community stakeholders in Marlborough, but we also recognise the need for a more holistic approach to sustainability.

This year, we commenced an exploration into what a broader approach to sustainability could look like across the business.

.....  
**“We also strive for the prosperity and ongoing development of our people, our stakeholders and our community, through our business activity.”**





We are committed to the United Nations' Sustainable Development Goals, with special focus on the following;

**3 GOOD HEALTH AND WELL-BEING**



**8 DECENT WORK AND ECONOMIC GROWTH**



**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**



**13 CLIMATE ACTION**



**14 LIFE BELOW WATER**



**WHERE ARE WE NOW?**

There is already a significant amount of activity in our business that contributes to sustainability practices, as well as plenty of untapped opportunities for improvement. We have identified that these activities and opportunities require further definition and prioritisation.

At present, we lack a framework to consistently measure, report and act upon our key sustainability issues. We expect that developing a cohesive approach to our sustainability activities business-wide will create operational efficiencies, leading to better performance outcomes well beyond the areas where action is taken.

**WHAT HAVE WE DONE SO FAR?**

New Zealand King Salmon has been a corporate member of the Sustainable Business Network (SBN) since the beginning of 2016. This national not-for-profit, dedicated to sustainable business growth and a sustainable New Zealand society, is supporting us in the process to build further on a company-wide sustainability strategy, including a material issues report, key metrics and a long-term action plan. That project continues at present.

A series of interviews with internal stakeholders was conducted to determine the key material sustainability issues for the company to focus on over the next one to three years. From these interviews, the SBN produced an initial 'sustainability snapshot' summarising our current business context. This was followed by more in-depth interviews with both internal and external stakeholders, as well as a global industry report and global and national media scan, to produce a high-level material issues report.

**WHAT DID WE DISCOVER?**

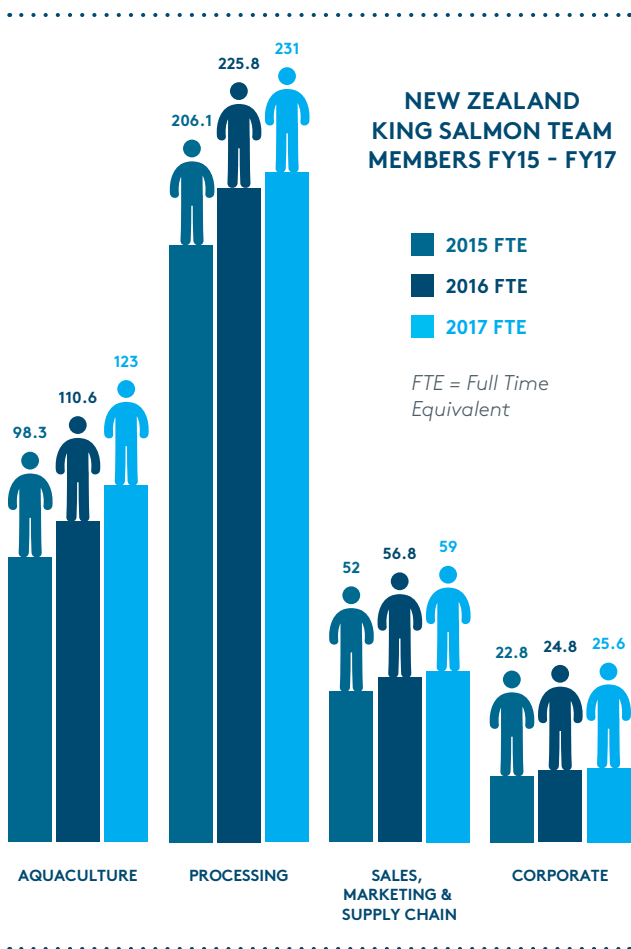
Over the course of this review, we confirmed that our team members aspire to contribute to shaping the future for sustainability in New Zealand and on the international stage, as we believe aquaculture has an increasingly important part to play in sustainable food systems for the future. Whilst we believe that we are already proactively engaged in making this contribution, we also acknowledge that there is plenty more that can be done as a business to advance towards this aspiration.

We are also keen on acknowledging the bigger picture. Aligning our goals and objectives with international goals for sustainability gives us the stepping stones to influence the food sector and aquaculture industry, locally, nationally and globally. The Sustainable Development Goals (SDGs) developed by the United Nations are clearly relevant for our business, and we have decided to focus on five SDGs in more detail, as depicted on this page.

**WHAT'S NEXT?**

Although we have long had a focus in our business on environmental impacts and our people, the material issues report to date has highlighted an opportunity to more strongly connect our people and community objectives with our environmental sustainability work to create an integrated business sustainability strategy for the future.

Following the review of our material sustainability issues, the next stage of the project is to design and develop a strategic pathway and framework for sustainability. This framework will include the creation of medium- and long-term strategic goals, objectives, key performance indicators (KPIs)/metrics as well as an action plan for the year to come. Much of this information will be released in our first Sustainability Report, which is planned for the end of 2017.



## OUR PEOPLE

**The future sustainability of our business is built not only on a fabulous product, but also on the expertise, commitment and resilience of our team.**

With approximately 460 team members (headcount), predominantly based in Marlborough and Nelson, we are a significant employer for the region, requiring a diverse range of skills and experience. We are also growing, with the addition of 21 full-time equivalent team members this year. We want to help our community prosper by providing an increasing number of “green jobs” in our region, committing to fair pay, attracting and nurturing talent, maintaining a safe, happy and productive workplace and driving an engaged culture.

During the year we negotiated a renewal of our Collective Employment Agreement for a three-year period to 2020, and were pleased to be able to achieve a further improvement in base wages for our Processing team. Currently around 50% of our Processing team members earn a base wage rate equivalent to the Living Wage and we expect around 80% of our Processing team members to be earning a base rate equivalent to the Living Wage by 2019.

**“We believe that sustained behavioural change leads to long-term cultural change, and as such we actively recognise team members who demonstrate our company standards and behaviours at a high level.”**

.....



**OUR ENGAGEMENT JOURNEY**

Our commitment to team members begins with developing an engaged team and positive culture.

Over the past seven years, we have chosen to use a nationwide employee engagement survey to measure our engagement – the IBM Best Workplaces Survey. With around 200 businesses participating annually, it is also an opportunity to benchmark our engagement against other businesses in New Zealand.

The survey sets a high bar for engagement, and we have seen continuous improvement in our engagement levels since 2012. In 2015, we were delighted to win the ‘Most Improved’ award in the Medium-Large Enterprise category as part of the IBM Best Workplaces Awards. Our engagement level is broadly comparable with the national benchmark for engagement across all participating organisations.

With an average completion rate of over 80%, the survey is reflective of all levels in our organisation. Recently we translated the survey into a number of languages allowing for all team members to participate and add their voice to the opinions of others.

In addition to an overall engagement measure, we also gain feedback on how our business is performing on key measures such as health and safety, people management, teamwork, communication, and learning and development.

Since we commenced running the engagement survey, we are proud that workplace health, safety and wellness questions have scored highly within each year’s results. Other high-scoring questions related to strong teamwork, direct line-managers, quality and performance focus and the overall perception of the business.

We also pay attention to areas for improvement. In recent years, feedback for areas to improve upon has related to inconsistent performance management and recognition, career development opportunities, maintaining an environment of trust, open and honest communication, knowledge sharing, and taking action from feedback. A number of initiatives have been implemented as a result. Recently our focus has been on supporting managers to effectively and consistently deliver performance management

and this year, targeted training was delivered to over 30 managers or team leaders in the business.

**RECOGNISING POSITIVE BEHAVIOURS**

We believe that sustained behavioural change leads to long-term cultural change, and as such we actively recognise team members who demonstrate our company standards and behaviours at a high level.

Our Way We Work document explains the set of organisational behaviour standards for our business to guide our team members when they come to work.

Recognition of positive safety behaviours amongst team mates is also encouraged. Each month, team members nominate their team mates for a Way We Work Award or a Positive Safety Behaviour Award. The Senior Leadership Team then review a short-list of finalists and select the stand-out nominations for the month. Winners receive a day’s annual leave, whilst those who made the nomination also receive a gift. Both award programmes have been a key part of our strategy to engage and involve our team members in shifting our organisational culture.

**SOCIAL AUDIT – SUPPLIER CODE OF CONDUCT**

We recently received external feedback on our approach to people. An unannounced third-party audit for a major international retailer took place in May to assess our factory practices from a social perspective. This was the first time our company had a focused assessment solely in this area.

The assessment over the day involved a range of people from different departments. There was a comprehensive facility walk-around as well as documentation review, a health and safety appraisal and unscheduled interviews with team members. The auditor was so impressed with the facility, systems and our people that we received a perfect score for our social compliance.



## TALENT RECRUITMENT AND RETENTION

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

With an increased focus on developing talent from within, succession planning and talent-identification activities are carried out with the Senior Leadership Team at regular intervals. The 360-degree feedback technique is used to identify development opportunities, and there is an increased focus on helping leaders manage and motivate team members.

Training to promote high-quality communication, cultural awareness and proactive performance management is also offered, alongside vocational training such as seafood unit standards, commercial dive training and English as a Second Language (ESL).

Support is also available to pursue and maintain professional accreditations and further education, with flexible work hours available to accommodate team members' study commitments.

## WORK PLACEMENTS AND INTERNSHIPS

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

By offering work placements and internships, we provide students an opportunity to gain hands-on experience working within a local organisation. In return they bring a fresh pair of eyes, as well as providing support during busy times.

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

Over the last year we have also taken on students as interns in our Finance, IT and Marketing teams, as well as in our new division, Omega Innovations. Working in these areas, interns have had the opportunity to carry out research projects in areas such as new product development, social media planning, market research and data analysis.

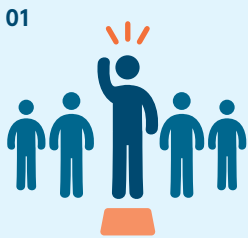
We will continue to expand our scholarships, internships and work-placement opportunities in collaboration with local training partners such as NMIT. This is one of the ways we hope to build career opportunities for our youth and our community as our business grows in the region.

# HEALTH, SAFETY AND WELLNESS

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

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

## OUR FOUR KEY HSW PRINCIPLES:



### ACCOUNTABILITY

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

#### OUR ACHIEVEMENTS THIS YEAR

July 2016 – June 2017

- Reviewed and updated our HSW policy and manual to align with HSW Act 2015
- Strengthened our contractor management relationships and processes
- Increased use of video footage in investigations



### ENGAGEMENT

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

#### OUR ACHIEVEMENTS THIS YEAR

July 2016 – June 2017

- Continued bi-annual leadership and health and safety representatives (HSR) conference
- Dissemination of regulator information to HSRs
- HSW the first point of discussion on the company wide daily morning meeting
- Delivered mobile access to our safety-management system
- Delivered Incident Causation Analysis Method (ICAM) training to HSRs



### PERFORMANCE

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

#### OUR ACHIEVEMENTS THIS YEAR

July 2016 – June 2017

- Continued monthly Positive Safety Behaviour Awards
- Implemented charity scheme in our Ready To Eat (RTE) factory, a donation based on achieving a range of KPIs – near miss reporting, positive safety behaviours and attendance
- Reviewed and developed ‘SMART’ annual Health and Safety objectives
- Removed sugar-sweetened beverages across the business
- Implemented weekly delivery of fruit to each office site



### SYSTEMS & PROCESSES

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

#### OUR ACHIEVEMENTS THIS YEAR

July 2016 – June 2017

- Developed user friendly, accessible reporting systems
- Completed stage one of the factory traffic management and pedestrian separation plan
- Completed mobile plant and pedestrian separation at the Dublin Street, Picton site
- Developed and implemented contractor management system software to streamline cooperation and compliance



## TRACKING OUR HSW PERFORMANCE

Each year we engage with team members within our business to develop our safety objectives. These are a combination of leading and lagging indicators. Lagging indicators are those that measure performance after an event has occurred, whilst leading indicators are more proactive and inform actions that reduce the likelihood of an event occurring.

Our headline lagging measure of safety performance is lost time injury frequency rate (LTIFR). Other performance measures include frequency rates for near-miss notifications, notifiable events to Worksafe, lost time injuries (LTIs), ACC claims and internal monthly audits.

At the beginning of the year, we targeted a reduction in the LTIFR rate by 25%. We reduced our rate from 28.3 to 18.5 over the duration of the year, a decrease of 34.8%.

Our near-miss reporting has increased year on year, indicating that there is a growing understanding of the value of this measure to identify hazards and their risks. This financial year we recorded 991 near-miss events across the business.

Our lost time injuries continued to decrease in number and our focus on managing critical safety risks has contributed to less serious LTIs in general. Slips, trips and manual handling activities make up the significant majority of our recorded LTIs.

This year, we also reaffirmed our ACC Workplace Safety Management Practices Tertiary level of accreditation, an independent, external validation of our commitment to health, safety and wellness systems.

With a focus on critical risk areas and our rehabilitation and return to work practices, we have seen a dramatic improvement in our ACC performance data. An increase in the number of claims represents a stronger culture for minor events and soreness reporting, whilst the number of days away from work

reduced by 955 days between the 2015 and 2017 levy years, a 90% decrease overall.

We also aimed to record zero notifiable injuries or illnesses, however we did report two relatively low-consequence notifiable events to Worksafe NZ.

We increased our focus on wellness this year, and with this in mind, we targeted the implementation of three wellness related projects across the year. We ran road shows in collaboration with the Heart Foundation to raise awareness of cardiac disease, we updated our annual health monitoring process to more effectively measure the impact of work on our team members' health, and we also expanded the health checks to offer optional checks for BMI, blood pressure, cholesterol and a cardiovascular risk questionnaire.

Removing sugar-sweetened drinks from our vending machines, providing financial support to those who want to stop smoking via Quitline, and providing free fruit at each site weekly are other things we have done to help focus on the holistic wellness of our team members.

## WE HAVE IDENTIFIED 6 CRITICAL RISKS IN OUR BUSINESS

 <b>MARITIME OPERATIONS</b>	 <b>FIRE, ELECTRICITY &amp; NATURAL EVENTS</b>	 <b>HEIGHTS &amp; LIFTING</b>
 <b>CONFINED SPACES</b>	 <b>MOBILE PLANT &amp; EQUIPMENT</b>	 <b>CONSTRUCTION ACTIVITY</b>

## ADDRESSING CRITICAL RISK

This year we took the following steps to address areas of critical risk:

- Installed physical barriers to separate people and mobile plant in our operational yards in Nelson and Picton.
- Commenced the usage of a Remote Operated Vehicle (ROV) for farm based inspections.
- Developed a detailed project plan for the use of ROV for Field Team operations.
- Improved our emergency response capability in seawater with the deployment of two new rescue vessels for our farms, as the result of a review following the major November earthquake.
- Increased our focus on safety behaviour with mobile plant.
- Achieved a reduction in raw material loads, through consultation with suppliers.



# OUR ENVIRONMENT

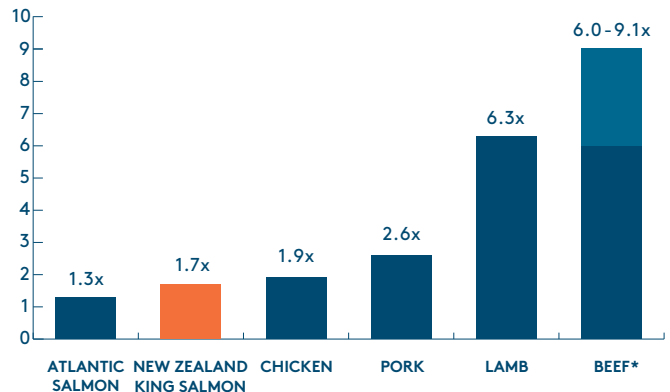
**With supply from wild fisheries plateaued and a growing demand for nutritious protein, we believe that aquaculture is a vital contributor to the world's future food supply. Caring for our environment is crucial to our salmon's well-being, and our community's sustainability. Our operations across the entire supply chain have an impact on the environment, which we aim to minimise.**

## THE FUTURE OPPORTUNITY FOR AQUACULTURE

Farmed salmon are an efficient form of protein production relative to other animal protein alternatives, since they are cold blooded and virtually weightless in water. Feed conversion ratio (FCR) measures the efficiency with which an animal can convert the feed it consumes to body weight, calculated as the mass (in kilograms) of feed needed to increase the animal's body weight by one kilogram. The lower the FCR, the more efficiently feed is converted to live weight.

With increasing global protein consumption, it makes sense for producers and consumers to focus on efficient conversion of feed to live weight to meet the growing demand for food. Our average FCR over the last five years of around 1.7x outperforms land-based animal farming alternatives such as pork, lamb and beef.

**FEED CONVERSION RATIO OF FARMED ANIMAL PROTEIN PRODUCTION <sup>3</sup>**



\* The FCR of beef production has a range due to the varying types of feed used.

<sup>3</sup> Source: As to Atlantic salmon, Chicken, Pork and Beef, data from the Global Salmon Initiative Sustainability Report (2010); as to Lamb, data from Bjorkli, J. Protein and energy account in salmon, chicken, pig and lamb. M.Sc. Thesis, Norwegian University of Life Sciences (UMB), Norway (2002), cited by Skretting.

# 1st in Australasia to achieve 3 star Best Aquaculture Practices (BAP) Certification



## CERTIFICATIONS AND RECOMMENDATIONS

Our environmental certifications and recommendations are achieved through regular audits with independent accreditation bodies. They are selected as an external validation of our practices to offer greater transparency and confidence to our customers, community and shareholders.

Our company is certified by the Global Aquaculture Alliance’s (GAA) Best Aquaculture Practices (BAP) programme. The certification of our salmon hatcheries in October 2016 qualified our business for a third star, the first company in Australasia to achieve this. A three-star certification denotes a product’s origin from BAP-certified hatcheries, seafarms and processing facilities.

In 2015, the New Zealand salmon industry attained the ‘Best Choice’ (green) accreditation in the Monterey Bay Aquarium Seafood Watch sustainability guide. The first and only ocean-farmed salmon named as ‘Best Choice’ worldwide comes from New Zealand, and we are proud to supply the majority of that.

## INDUSTRY PARTNERSHIPS

We believe that collaboration and cooperation in the salmon industry, and more broadly, in the aquaculture industry, is vital for improved outcomes and clear communication.

With this in mind, the company was one of the first to sign up to the Aquaculture New Zealand industry standard A+, and we also joined the Global Salmon Initiative (GSI) in 2015. GSI was established by leading salmon companies around the world committed to providing a healthy and sustainable source of protein to feed a growing population, while minimising the environmental footprint, and continuing to improve their social contribution.

As a business, we are aligned with the GSI goal to maintain and grow the industry’s license to operate, done so by improving the reputation of both farmed salmon and salmon farming. As part of the long-term vision of the group, New Zealand King Salmon has signed up to implement the Aquaculture Stewardship Council (ASC) accreditation by 2020.

## ACHIEVING BEST MANAGEMENT PRACTICES IN OUR REGION

We were proactively involved in developing the ‘Best Management Practice (BMP) guidelines for salmon farms in the Marlborough Sounds – Benthic’ in November 2014.

We have committed to implementing BMP across all of our sites, and this year incorporated the guidelines at our Clay Point farm. The three new sites are monitored and managed to the same environmental standard (ES5) as BMP. Remaining sites for implementation are the lower-flow sites which are under consideration in the MPI salmon farm relocation proposal.

BMP guidelines are also proposed for water quality and will be developed using the same process as for the Benthic guidelines. A significant amount of baseline data is still required, but we expect these to be finalised within two years. We already contribute actively to Marlborough District Council-coordinated Sounds-wide monitoring. Currently the three new sites obtained via the EPA process, as well as Te Pangu and Clay Point, operate with agreed interim standards.

## A COLLABORATIVE APPROACH

We commissioned a survey of ecologically sensitive areas within Tory Channel. The information from this work was presented to be consistent with a programme of work carried out by Marlborough District Council and the Department of Conservation (DOC).

## MPI FARM RELOCATION CONSULTATION

New Zealand King Salmon is currently participating in a process led by MPI to relocate up to six of our salmon farm sites to deeper locations with better water flow, providing the most suitable environmental conditions for growing King salmon sustainably.

A public consultation process was completed in May this year, and a report of the findings is with the Minister for consideration. The Minister will then make a decision whether to proceed with a proposal to make changes to the Marlborough Sounds Resource Management Plan (MSRMP) under Section 360A of the RMA.

New Zealand King Salmon is very supportive of the MPI process and is hopeful for a positive outcome.



Biogeographic area	Offshore area (ha)
Pelorus Sound	38,477 ha
Queen Charlotte Sound	19,553 ha
Tory Channel	3,004 ha
<b>Total</b>	<b>61,034 ha</b>
Maximum consented surface hectares	17 ha

0.03% of total area

## NEW ZEALAND KING SALMON SEAFARMS\*

\*Farms drawn to scale

### LEGEND

-  OPERATIONAL
-  FALLOWED

 WAIHINAU BAY

 WAITATA

 KOPĀUA

 FORSYTH BAY

 CRAIL BAY (2 SITES)

 OTANERAU

 RUAKAKA

 NGAMAHAU

 CLAY POINT

 TE PANGU

<sup>4</sup> Source: Ecologically Significant Marine Sites in Marlborough, New Zealand, Marlborough District Council and Department of Conservation, September 2011.



## OUR COMMUNITY

**We believe engaging proactively and positively with our community is crucial for the future of our company’s license to operate. We want to make our home a better place.**

Our aim is to be well-regarded and respected in the community, to be perceived as a local business that is contributing to its region, and to be seen as collaborative and communicative.

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

This year, as part of our IPO, Top of the South residents had the opportunity to participate in a priority offer of shares when New Zealand King Salmon listed on the NZX and ASX. A total of \$1.5 million of shares was offered to local residents. This offer was fully subscribed. We have around 400 shareholders amongst Top of the South residents.

.....

### OUR COMMITMENT IN THE COMMUNITY IS TO:



**CONTRIBUTE TO THE ECONOMIC DEVELOPMENT OF OUR REGIONAL COMMUNITY**



**IMPROVE LIFE IN THE COMMUNITY; FOCUS ON YOUTH DEVELOPMENT, ENVIRONMENTAL AND EDUCATIONAL ORGANISATIONS**



**BUILD CONSTRUCTIVE PARTNERSHIPS WITH IWI**



**BE A GOOD NEIGHBOUR**



**PARTICIPATE IN FLAGSHIP LOCAL FOOD AND WINE EVENTS**



**PRODUCE THE WORLD’S FINEST SALMON AND MAKE OUR COMMUNITY PROUD**

**“Developing opportunities and talent in the community is important not only for the future of aquaculture development in the region, but also to grow our future leaders and vitality in the community.”**

.....

**SPONSORSHIP AND EVENTS**

Developing opportunities and talent in the community is important not only for the future of aquaculture in the region, but also to grow our future leaders and vitality in the community. We support many community organisations, charities and events, with financial and product sponsorship in Marlborough, Nelson, Golden Bay and Canterbury.

**Environmental and Conservation**

Our eco focus is not only a foundation for our operations but also leads our community approach. We are involved in an increasing number of environmental-based initiatives that fit with our sustainability ethos in partnership with organisations such as the Kaipupu Wildlife Sanctuary, Tui Nature Reserve and Marlborough and Tasman Department of Conservation (DOC). For example, we sponsored signage for the Link Pathway between Picton and Havelock.

**Education and Youth**

We have also chosen to focus on contributing to projects that support youth development, such as the Graeme Dingle Foundation KiwiCan Programme (Picton Primary School); the Bring Your Own Device (BYOD) scheme at Marlborough Girls College; the premier Marlborough Girls College and Golden Bay High School netball teams for their 2017 winter season and the Marlborough Boys College first XV rugby team.

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

Last year, in consultation with Marlborough teachers, we also rolled out a 100-page education resource for school-age children themed around all things salmon. The kit aims to help teachers, students and their parents find out more about New Zealand’s unique King salmon; the role the salmon-farming industry plays in Marlborough; the benefits of salmon as a high value health food and the career opportunities that exist within aquaculture.

Our salmon education kit is publicly available online and in hard copy for individual schools to utilise in their lesson planning.

**Other Commitments**

We have supported disadvantaged and underprivileged groups in Nelson/Tasman through the Fifeshire Foundation for a number of years. We also support education about our industry and the promotion of food tourism in the Marlborough region as a strategic partner with Destination Marlborough and through our ‘Sounds, Salmon and Songbirds’ tours with Marlborough Tour Company and Kaipupu Wildlife Sanctuary.

We also provide support to several key business and industry groups, including sponsorship of the Marlborough Chamber of Commerce (MCO) Business Awards, the Nelson Business Awards, the Aquaculture New Zealand Conference and the Nelson Hospitality Awards.

Other sponsorships include the interpretative King salmon display at Picton Aquarium (Ecoworld) and the seasonal racing series at Waikawa Yacht Club.

**Local Events**

We participate in key events in the region over the year, such as the Marlborough Wine & Food Festival, the Picton Maritime Festival and the Havelock Mussel Festival. At the larger events, we often provide a celebrity chef to demonstrate salmon recipes and our team members put on interactive filleting displays and tastings of our products.

**WORKING WITH IWI**

We strive to have good relationships with Te Tau Ihu (Top of the South) iwi. We collaborate with iwi on a variety of strategic partnerships and projects, sometimes with formal agreements, and other times on an informal basis. This year, the Pelorus new farm openings were blessed by kaumātua from Ngāti Koata, and we also sponsored the Kia Ngāwari kaphaka group that competed at the National Te Matatini Kaphaka competition in Hastings.

Te Ātiawa participated in the Top of the South priority share offer during the IPO period, purchasing a stake in the company. It is anticipated that the proposed Tio Point site under consideration in the MPI’s salmon farm relocation proposal would be operated under a joint venture with Te Ātiawa. As part of the consent conditions for the Waitata and Kopāua sites, a tangata whenua panel has been established with representatives from Ngāti Kuia and Ngāti Koata.



*Kia Ngāwari kaphaka group*



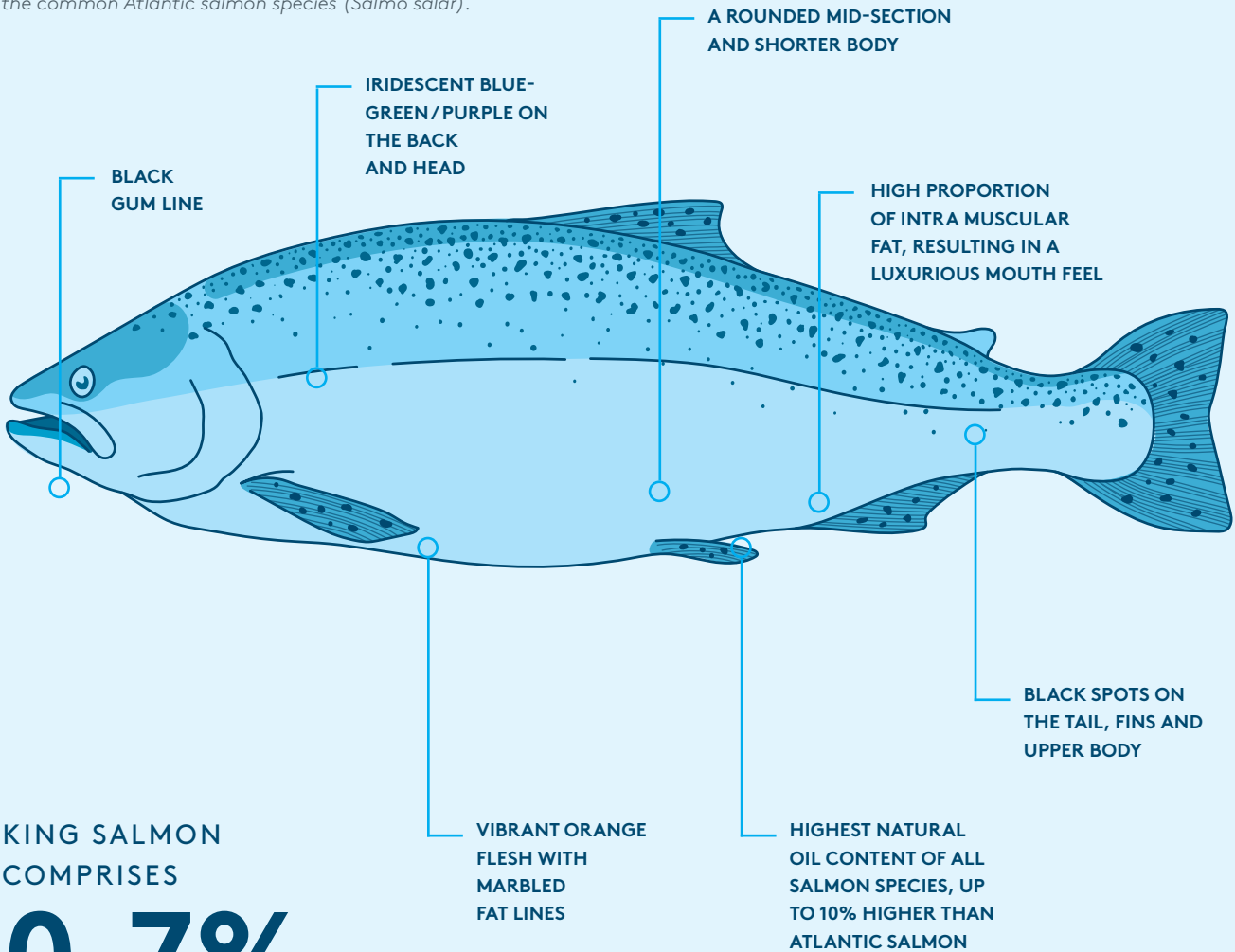
THE KING  
SALMON  
EXPERTS



---

Comprising only 0.7% of total global salmon supply, King salmon is regarded as the world's premium salmon species.

The King salmon species (*Oncorhynchus tshawytscha*) is a member of the Pacific salmon genus and is identified by the following characteristics, distinct from the common Atlantic salmon species (*Salmo salar*).



KING SALMON  
COMPRISES  
**0.7%**  
OF TOTAL GLOBAL  
SALMON SUPPLY

**New Zealand King Salmon is a pioneer in marine salmon farming in New Zealand. We and our predecessor companies have been growing and selling salmon to consumers in New Zealand and overseas for more than 30 years.**

Comprising only 0.7% of total global salmon supply, with the majority of farmed production from New Zealand waters, King salmon is generally regarded as the world’s premium salmon species in terms of taste and nutritional quality, with outstanding colour, oil content and texture characteristics.

Our expertise and assets tailored specifically to the King salmon species are the foundation to our business success. We’ve learnt a lot about our species already, and we are constantly seeking to add to our knowledge in partnership with our industry and science experts.

In addition to a global scarcity of locations suitable for the King salmon species, establishing a salmon-farming operation requires a significant capital investment, as well as access to, or the development of, specialised genetics from a breeding programme. We have established our breeding programme over more than 20 years, which would be difficult to replicate without considerable investment in expertise and time.

In addition, we have been the most proactive in New Zealand at seeking new consents for seawater space and were successful in gaining three new sea farm consents in 2014.

We have also adapted our operations, processing and supply chain to cater for the King salmon’s delicate flesh and higher fat content, which require careful handling throughout the life cycle to deliver a quality product.

# FULL VERTICAL CONTROL

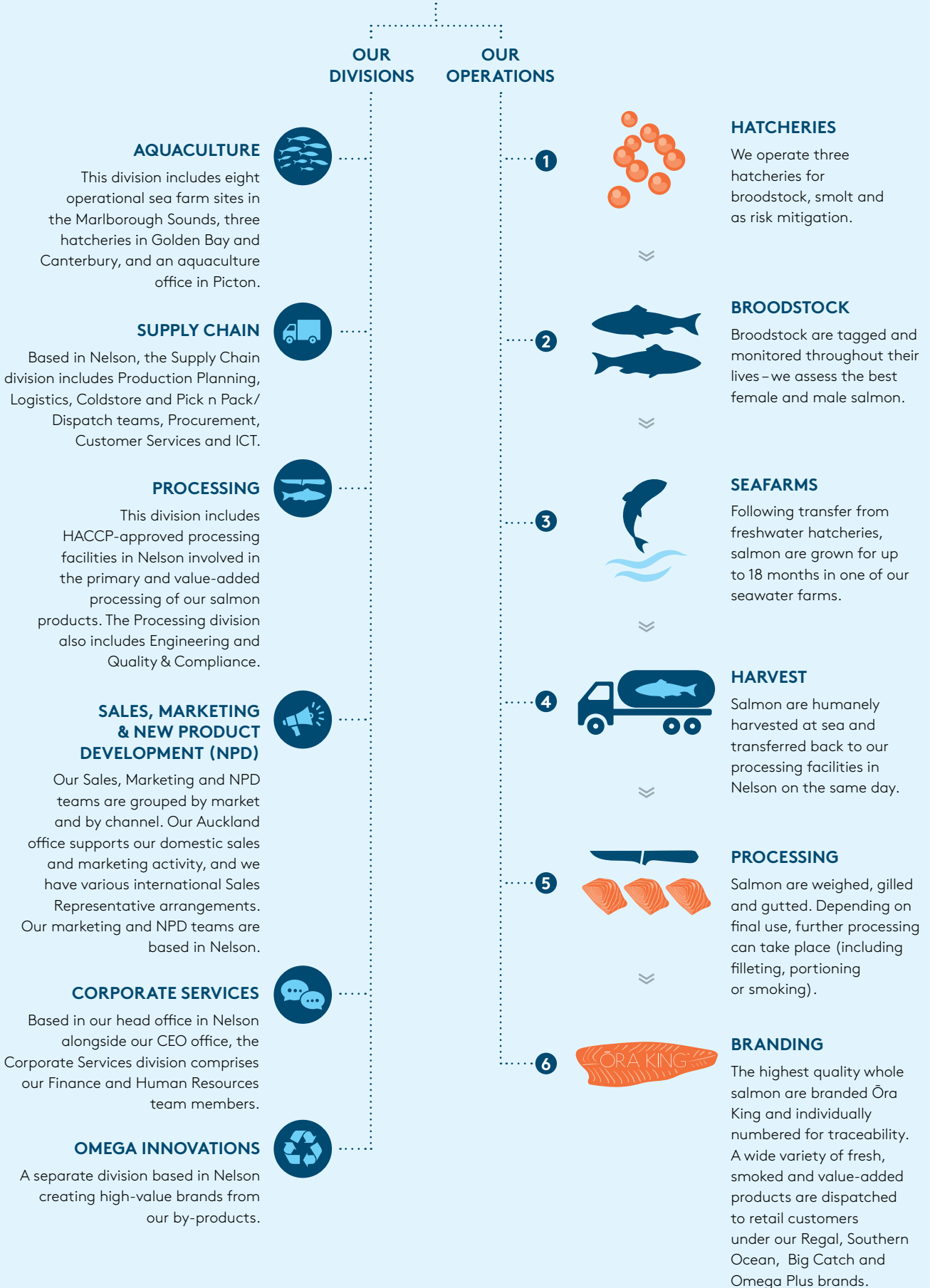
---

**We believe a key component to ensuring the highest possible quality is retaining complete vertical control, enabling year-round production, processing and supply of King salmon.**

We control all elements of the value chain from breeding to our engagement with the final end user. King salmon are harvested and processed on the same day with fresh whole fish generally dispatched to customers within 24 hours of harvest.



FROM EGG TO PLATE







## KEY OPERATIONAL ACHIEVEMENTS

---

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

### FRESHWATER

This year, our freshwater team focused on producing year-round eggs and smolt in our hatcheries to help provide consistent quality, quantity and size of fish. To achieve this, we widened the spawning period with simple light adjustments to mimic the daylight hours of the spawning season. We also implemented ultrasound techniques to assess the size and readiness of eggs prior to spawning and upgraded our egg incubation system to support year-round supply, to improve egg quality and to expand our holding capacity.

Our small Waiau hatchery was damaged by the November 2016 earthquake. We have made temporary repairs in order to continue operating, with the intention of rebuilding damaged parts in the near future.

### SEAWATER

Our fish performance overall in the late-summer period was pleasing with survival at the best level for five years. This year we saw a 38.3% reduction in total mortality compared to the previous year.

Late summer temperatures in the Marlborough Sounds create the most challenging season for salmon farming, particularly at lower-flow farm sites.

To mitigate against this risk, prior to the summer period we implemented summer-specific diets and diversified feed suppliers. Slightly lower seawater temperatures also supported reduced mortality.

This year, we implemented a new state-of-the-art low-stress harvesting method based on industry best practice. In addition to health and safety improvements, the new harvest method is more efficient, preparing us for future growth in harvest volumes.

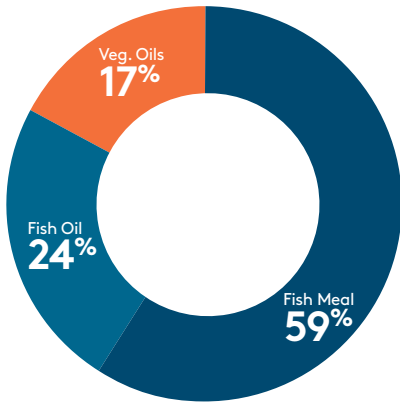
The first stage of implementing the three new farms - Waitata, Kopāua and Ngamahau - is now complete. Construction also commenced on a new feed and accommodation barge for our Waitata farm, in Picton by a local supplier (Cuddons Ltd). Due for completion in September 2017, it will significantly improve feed holding capacity as well as provide best practice mortality removal and sterilisation facilities.

We also completed an extension at our Clay Point seafarm in September adding another two 30 by 30 meter pens. The pens incorporated a number of improvements to deliver operational efficiencies and to support health and safety compliance requirements.

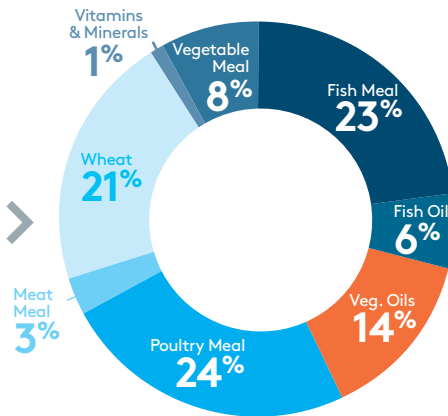
The Clay Point project provides dedicated smolt nets for all fish introduced to seawater in the Tory Channel. With the advent of year round spawning in the hatchery, the extension will contribute to greater seawater survival, as smolt can be sent to sea at the correct time to give them the best opportunity to adapt to the seawater environment.

Single year class sites are considered best practice for fish health and biosecurity and involve a fallowing or resting period between year classes. This was undertaken for all three active Pelorus farms this season. Fallowing and rotation of sites is also considered best practice to manage the seabed and surrounding environment with care.

**GLOBAL SALMON AQUACULTURE - COMPONENTS OF FEED (1990) <sup>5</sup>**



**NEW ZEALAND KING SALMON - COMPONENTS OF FEED (CURRENT)**



- FISHMEAL SOURCED FROM SUSTAINABLE FISHERIES 
- FULLY TRACEABLE 
- CERTIFIED GMO FREE AND BSE FREE 

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

**Feed**

Feed costs have been slightly lower in the current year than anticipated in the Product Disclosure Statement (PDS), as a result of lower fish meal and oil prices. Any movement in costs takes time to flow through, however we have seen a modest benefit in the current year, with feed costs being \$2.31/kg versus the \$2.50/kg projected in the PDS.

**Feed Trial**

The components of our feed have evolved over time. In 1990, fish meal and fish oil comprised 83% of global salmon aquaculture feed. Our feed currently comprises around 29% of these components, with the remainder substituted by vegetable and land-based animal by-products as a measure to take the pressure off wild fishery stocks.

To achieve an optimal final product, we require the highest quality feed, specific to our species' nutritional needs. King salmon is a unique species compared to the more common Atlantic species, therefore their feed requirements differ immensely.

In addition, expenditure on feed for our salmon is by far the highest cash cost to our business and annually accounts for around 40% of all cash expenses. This drives the need to reduce our feed conversion ratio (FCR) which averages 1.78 over the past 5 years. A more efficient FCR also contributes to a positive environmental outcome.

To achieve the ultimate salmon diet and to reduce FCR, in 2015 we commenced a four-year \$5.2 million research programme with the Cawthron Institute, Seafood Innovations Ltd (SIL) and salmon feed companies, to ascertain the optimal diet for our salmon.

As a result of successful trials to date, the most promising diet has already been implemented in our seafarms. This change is designed to improve the health of our fish, while maintaining the same great quality, but also delivers significant savings in feed costs due to a better FCR and growth rate.



**PROCESSING**

**Consumer-led Production Efficiencies**

This year we purchased a new portioning machine and a new salting machine. Each machine was selected with suitable advanced technology to deliver an improved level of quality and consistency within our final products. Even distribution of salt in our smoked products is important for consistency, whilst high-specification set-weight portions are a growing area of demand with larger foodservice customers seeking to deliver a consistent customer experience, whilst managing plate costs.

<sup>5</sup> Source: Marine Harvest - Salmon Industry handbook 2016.



**“We work collaboratively with industry groups, science partners and government to ensure we remain abreast of new developments.”**

.....

### **Delivering on Food Safety**

Attention to food safety is a fundamental aspect of our business. As part of our proactive quality and food safety programme and to avoid business interruption, we monitor trends in our own data, as well as any changes or additions in market access requirements.

We work collaboratively with industry groups, science partners and government to ensure we remain abreast of new developments. Technology advancements in microbiological testing now means that results are returned faster – opening up opportunities to new markets due to this faster turnaround of cleared product.

### **Sustainability within our Supply Chain**

Delivering a great final product safely to our consumers and chefs means taking care of quality throughout the supply chain. We do this through a range of food safety and quality controls, but also through use of packaging to protect our delicate salmon products.

Maintenance of the cold chain and avoiding damage en route requires particular packaging choices, which don't always correspond with our ambitions to reduce these components. However, we have made some progress by starting to remove single-use packaging on site, and instead implementing reusable solutions to reduce waste. We are also working to reduce our reliance on polystyrene.

### **Omega Innovations**

As a company, we want to better utilise our by-products and reduce waste. In 2015, this saw the introduction of a new division, Omega Innovations, focused solely on the utilisation of by-products and remaining raw materials.

Initially, efforts were concentrated on improving the collection and disposal systems for existing by-product. Around a quarter of our annual production is guts, heads, trim, skin, bones, tails and frames. Until recently, the vast majority was rendered offsite to produce fish meal and an oil product, a low-tech, low-return disposal method.

Changes were made to improve containment and by-product quality, and to reduce health and safety risk. The next step is to turn the company's by-products into higher-value revenue streams. There are five areas of development focus:

1. Recreational fishing – burley.
2. Pet care – pet food, pet treats, dietary supplements.
3. Pharmaceuticals/nutraceuticals – salmon oil capsules, omega-3 supplements.
4. Raw material supply – heads, frames, naked block, tails, fins, smolt, roe, skins.
5. Garden care – liquid fish fertiliser, salmon compost.

Our first Omega Innovations success story is the retail launch of our own pet food and treats range, Omega Plus, in September last year. Omega Plus is now stocked in 85 supermarkets in New Zealand. There are a number of other active projects expected to deliver new products in a variety of categories, channels and regions in future years.



# STRONG BRANDS

---

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



## OUR BRANDS

**Our premium brands position our high quality salmon in a variety of high value customer segments. Our brands all sit under our corporate umbrella brand; New Zealand King Salmon.**

### NEW ZEALAND KING SALMON



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

In our first year as a public company, we decided to review our company brand assets to support a higher level of reporting and communication. The annual report is the first representation of our new look including a revised company logo and colour palette.

Whilst retaining the essence of the previous branding, the updated logo and colour palette present a more modern look, with a wider array of colours reflecting the colours of the core environment around us.

Imagery is themed around five ‘pillars’ for the New Zealand King Salmon story: our people, our leadership, our environment, our unique breed and our processes. A special series of images focused on hands represents the sense of purpose and care all our people contribute in creating the ultimate salmon experience.

### ŌRA KING



Ōra King salmon are the best of New Zealand King Salmon’s unique breed of King salmon, inspired by, and created for, discerning chefs around the world.

Built on eight generations of salmon broodstock and over 100 distinct King salmon families, the result is a unique breed of King salmon - the Wagyu of Salmon.

We have been able to achieve what many other protein producers have not, with the inclusion of our Ōra King branding all the way to the menu. This year, we achieved recognition on the menus of around 850 premium dining restaurants around the world, a continuing upward trend.

Our marketing activities for Ōra King aim to communicate directly with a discerning chef audience around the world to build the depth of our story. We tell the story of Ōra King through our sales team, marketing collateral and merchandise, and through campaigns and content that we share through our social media and digital platforms.

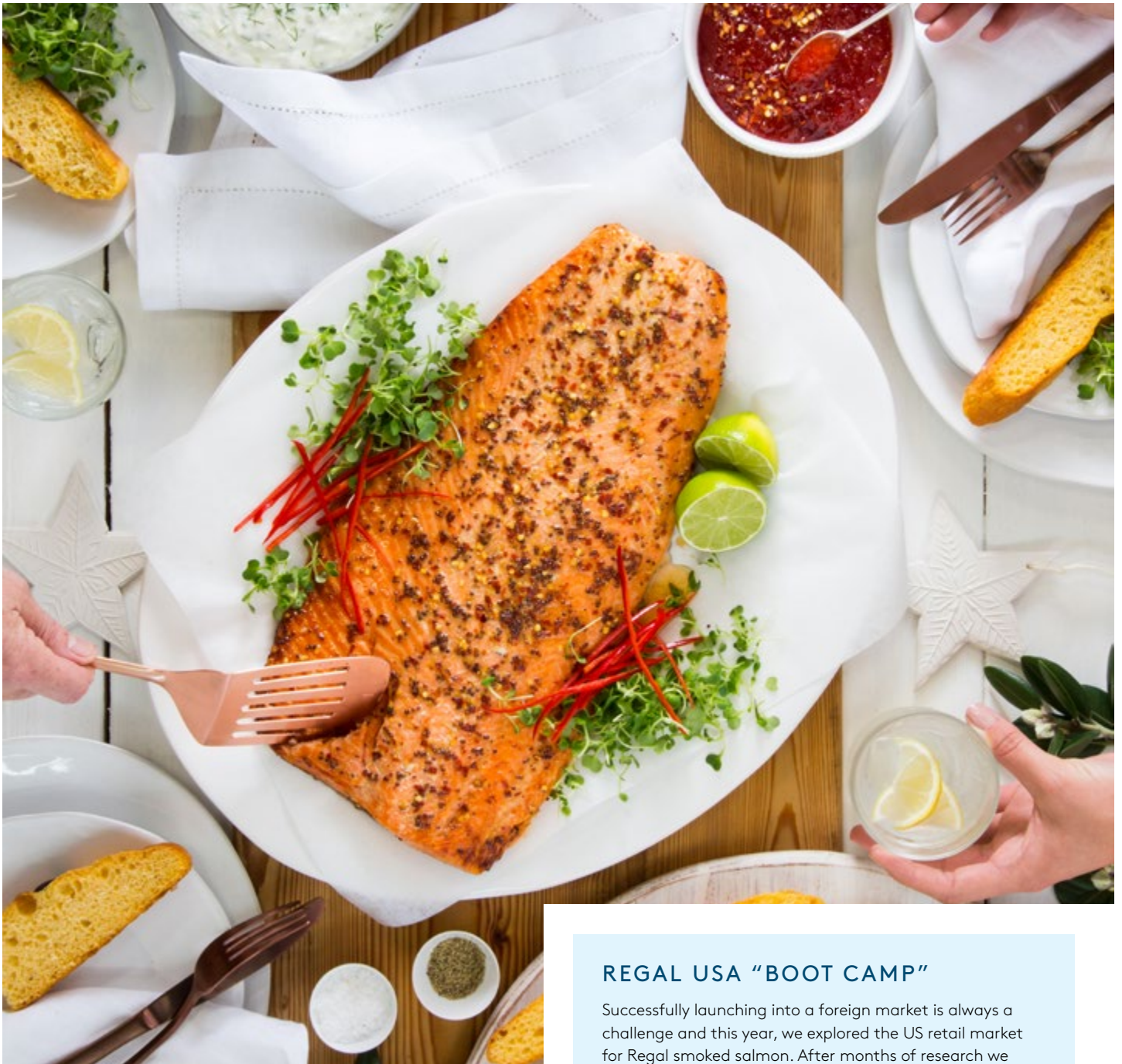
Our flagship campaign, the Ōra King Awards, was established in 2013 to recognise outstanding contributions from chefs working with Ōra King. Chefs vie for the title of ‘Best Dish’ and ‘Best Ambassador’ in our key markets of New Zealand, Australia and North America. This year, we launched the awards to chefs in Japan for the first time. Independent industry judges visit short-listed restaurants to review and rank Best Dish finalists with the eventual winner for each region presented with an Award at a prestigious lunch ceremony.

In October 2016, we celebrated the fourth annual Awards ceremony in Nelson, New Zealand with an event themed “The Odyssey” - exploring the science behind the Ōra King breed. The 2017 awards ceremony will be held in Tokyo, Japan in October.





*Ōra King Awards Best Dish  
New Zealand Winner 2016,  
Marc Soper, Wharekauhau  
Country Estate*



**“Regal has the most eye catching packaging, is the tastiest salmon around, has a wide range of flavours and products and something for every occasion. Therefore I don’t mind paying that little bit extra for a far superior product.”**

——— *Regal Consumer Panel Respondent, 2017*

### REGAL USA “BOOT CAMP”

Successfully launching into a foreign market is always a challenge and this year, we explored the US retail market for Regal smoked salmon. After months of research we had a long list of questions so we decided to ask American consumers directly. Enlisting the services of an international research agency, we set up a series of focus groups in three US cities, picked for their above average smoked salmon consumption.

In these groups we received feedback from local smoked salmon consumers about their consumption and purchasing habits, our brands and competitor brands, their thoughts on topical issues around sustainability and GMO, and also gave them a chance to taste our salmon.

The feedback was invaluable and also very positive. It even helped us to evolve the packaging design to better appeal to these consumers. We are now confident our Regal smoked salmon range suits the market and stands out on supermarket shelves in the US.



REGAL



MARLBOROUGH KING SALMON

With over 25 years of leadership in the salmon category in New Zealand, Regal is our premium retail brand positioned by reference to its Marlborough provenance. Regal is an established and trusted brand in New Zealand with a strong domestic following and more than 40.0% market share.<sup>6</sup> Regal achieved an 85.0% net total awareness score in a recent Nielsen NZ study.<sup>7</sup>

There is still plenty of scope to deepen the consumer’s engagement with the salmon category, and our core strategic initiatives this year have focused on increasing the brand presence of Regal in-store, particularly in the fresh category.

Based on feedback from our own Regal Consumer Panel, a range redesign for our smoked salmon portfolio was also initiated to create better impact at point of purchase and to reinforce key brand benefits for premium positioning.

This year, we commenced market and customer research to expand our Regal smoked salmon presence in key offshore markets.

Market data and our own consumer research in the United States identified promising opportunities for Regal to establish a premium King salmon offering. Retailer pitches and packaging development are now well underway with the view to creating a tailored portfolio in this high-potential market.

Similar opportunities are also under development in Australia, Europe and Asia.

SOUTHERN OCEAN



Southern Ocean is our family value-oriented brand, predominantly sold as smoked salmon products in New Zealand domestic channels. Southern Ocean is the third most recognised smoked salmon brand in New Zealand with a total awareness of 50% in the recent Nielsen study referred to above. Due to the continued growth of several tactical value lines, the Southern Ocean brand has gained 4.2 share points moving from 14.1% value share to 18.3% in New Zealand retail.<sup>8</sup> Southern Ocean has an important role to play in the market as a locally sourced, value New Zealand King Salmon offering.

OMEGA PLUS



We launched Omega Plus into the New Zealand retail market in September 2016. With the growing demand for premium pet food, we saw an opportunity to further harness the value of our healthy, sustainable salmon protein and our experience with premium branding, with better utilisation of our by-products. The pet food channel is a very different category to our established channels with consumers and chefs. Positioned as a premium pet food brand with King salmon as the number one ingredient, Omega Plus is ‘vet quality at supermarket prices’.

The Omega Plus range includes wet and dry cat and dog food, with salmon as the number-one ingredient. High in omega-3 and protein, the range delivers a variety of nutritional benefits including a healthy skin and coat, joint mobility, intestinal health and antioxidants.

After a successful launch into the South Island Foodstuffs stores, which exceeded original sales targets, Omega Plus is currently stocked in 85 New World and PAK’nSAVE supermarkets throughout New Zealand, and is available online at pet.co.nz.



BIG CATCH



Big Catch is another brand from the Omega Innovations division which utilises by-products to create salmon burley. Big Catch Salmon Burley delivers a small particle size and a steady stream of salmon oil as it thaws. It’s perfect for attracting all types of fish. Big Catch is for the quintessential Kiwi fisherman who is passionate about the sport and high quality burley.

<sup>6</sup> Source. IRI MAT value share to 2 July 2017.

<sup>7</sup>Nielsen Brand Health Tracker March 2017.

<sup>8</sup> Source. IRI MAT value share to 2 July 2017.

# STRONG GROWTH PROSPECTS

---

**The three new 35-year sea farm consents secured in 2014 will allow us, over time, to approximately double existing production to 12,000 metric tonnes, enabling significant incremental growth to satisfy the demand from our markets worldwide.**



Kopāua Farm,  
opened 2016

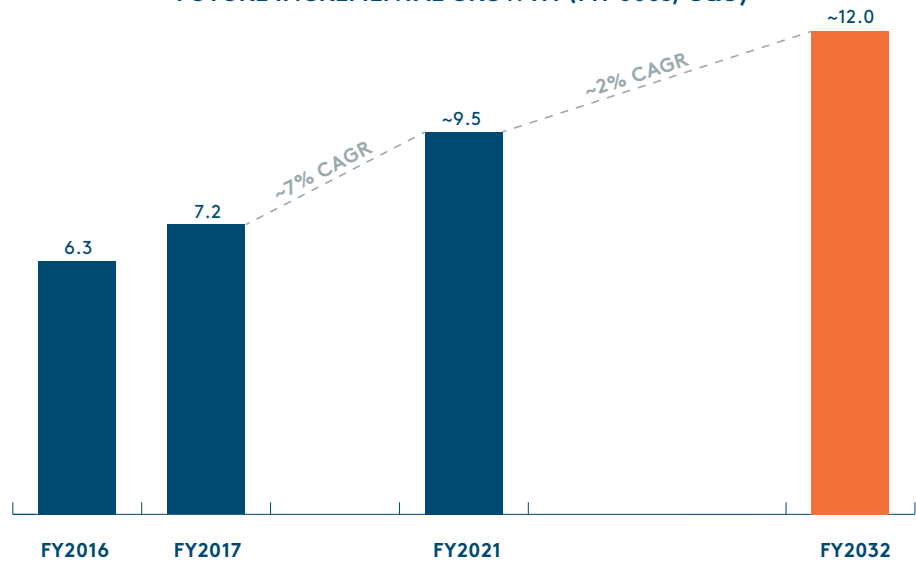


## AQUACULTURE GROWTH

---

**Our greatest constraint to growth is the availability of suitable water space in seawater in New Zealand. We have continued our efforts to reinforce the current water space consents we hold, as well as to explore new opportunities.**

**FUTURE INCREMENTAL GROWTH (MT 000s, G&G)**



Graph shows harvest volume growth as sites at Waitata, Kopāua and Ngamahau are developed (up to 2021). Growth beyond this is in line with consented feed discharge increases at these sites (~ every 3 years) until feed discharges reach their cap in 2032.

**NEW FARM OPENINGS**

In July 2016, the Minister for the Environment and MP for Nelson Hon. Dr Nick Smith officially opened our two new Pelorus Sound farms - Waitata and Kopāua. Our third new farm in the Tory Channel, Ngamahau, has been operating since 2015, with the first harvest taking place earlier this year.

Harvests from the Waitata and Ngamahau farms are producing excellent quality salmon. We will harvest at Kopāua from 2018. Each new site is at stage 1 of capacity, with small increases allowed every three years in accordance with resource consent conditions. It will be around 15 years before each farm is fully productive.

Kopāua and Waitata farms have been built to blend in with the local environment with nautical-style barges, muted camouflage colours, and lower profile flexible pen designs to better cope with high seas. Ngamahau will adopt the same nautical barge style in 2020 in accordance with our consent conditions.

The new sites are located where the water is deep and with high-flow, optimal conditions for raising salmon. Each new farm currently measures between half a hectare and one hectare (a rugby field is approximately one hectare) and the farms sit in water between 35 and 55 metres deep.

Modern technology is playing an increasingly important role in salmon farming. The Kopāua farm’s computers are controlled from the Waitata farm just across the Waitata Reach, a practice developed at our Tory Channel sites.



Minister for the Environment, Nick Smith, Joeseph Paul, Kaumāta of Ngāti Koata, Alistair Sowman, ex-Mayor of Marlborough, opening Waitata Farm.

**GROWTH FROM CURRENT WATER SPACE CONSENTS**

Aquaculture is monitored by regulatory bodies in all producing regions and resource consents can be difficult to obtain. We were successful in obtaining three new sea farm consents through the EPA process in 2014 (Ngamahau, Waitata and Kopāua) and more recently in renewing the consents for Te Pangu and Clay Point farms in the Tory Channel.

The three new 35-year sea farm consents will allow us, over time, to approximately double existing production to 12,000mt, generating around \$230 million in direct revenues plus flow-on business for local companies. Significant production growth will allow us to capitalise on strong anticipated demand from premium offshore markets.

**Security of Tenure**

Retaining access to existing sites for farming salmon in the Marlborough Sounds, or securing appropriate alternatives, remains a core focus. Not only does this protect our existing production volumes, but the careful management of these resources gives us the opportunity to make more environmentally sound choices, whilst improving yield.

This year we undertook a number of activities to maintain and enhance security of tenure.

The MPI farm relocation process could in time deliver improved environmental outcomes, as well as more economic opportunities for the community – up to 407 new jobs and \$32.9m GDP per annum for the Top of the South, and additional company revenue of up to \$400m.<sup>9</sup>

The Marlborough Environment Plan (MEP) is also currently under review and we are actively participating in this process.

Finally, this year, we took part in an Aquaculture Reference Group that provided expert advice to the MPI on the scope and content of a National Environmental Standard (NES) for marine aquaculture.

The NES gives direction and advice to councils on re-consenting, change of species and public biosecurity. Public consultation on the draft NES is now complete.

<sup>9</sup> Marlborough Salmon Relocation - Economic Impact Assessment, prepared for Ministry for Primary Industries, November 2016 by PricewaterhouseCoopers.



**“In addition to optimising conditions and practices for our existing sea farms, we are also working on longer-term options for growth.”**

Around 70% of the aquaculture sites nationwide, including a number of NZ King Salmon sites, are due for resource consent renewal in 2024. The proposed National Environmental Standard provides more certainty around outcomes, is more efficient, cost effective and timely. There is less risk with the proposed process and site tenure is more secure.

All marine farms must have a Biosecurity Management Plan (BioMP) under the proposed NES. NZ King Salmon has its own BioMP but is also working with central government and others to produce a standardised industry BioMP.

**FUTURE INCREMENTAL GROWTH**

Securing further water space with the optimal characteristics for growing King salmon is an ongoing focus for longer-term growth. New Zealand has the world’s 10th-longest coastline, yet utilisation for finfish aquaculture is very small by world standards.

In addition to optimising conditions and practices for our existing sea farms, we are also working on longer-term options for growth. There are benefits from a biosecurity perspective to having farms in more than one or two general locations. We are maintaining a close watch on investigations of potential opportunities in Southland.

Offshore farming has still some way to go before risk becomes acceptable, and it may be several years before full commercialisation can be considered. There are discussions underway for potential joint-venture trials.

**SUPPORTING AQUACULTURE GROWTH**

The future growth in our aquaculture production will see the need for improvements in our operations and supply chain to maximise quality and efficiency.

To maintain our position of providing the best-quality salmon in the world, we need to ensure our processing facilities are fit for purpose. A feasibility study is underway to look at the shape of our processing and dispatch requirements over the next 25-30 years.

The current Bullen Street processing facilities will soon be at capacity in some areas with the increased volume. We are assessing options with the objective to develop a set of recommendations for a fit-for-purpose facility or facilities, with scalability and equipment that will improve quality and enhance productivity into our future.

Over the next year, we will implement a new factory floor Manufacturing Execution Software System (MES) to allow simplicity at point of production. The system will also provide valuable insight to managers in terms of utilisation and KPI metrics.

Concurrently, work will begin to replace the end-of-life enterprise resource planning system, based on work undertaken this year to source a partner and solution.

We have recently introduced a Program Management Office (PMO) to manage a growing pipeline of diverse high-value projects with longer time frames, cross-team functionality and complex legislative requirements. The objective is to prioritise the highest-returning projects, whilst improving and supporting project performance overall.

## STRONG DEMAND

**As we grow our production capacity, identifying and entering new high-value customer segments is essential to drive demand. Our world-class sales teams located in key markets are expert in delivering relevant and innovative brand solutions to the right customer.**

### NUTRITIOUS PROTEIN IS IN DEMAND

Increasing global demand for high-quality, healthy protein grown sustainably continues to support our business growth. Consumers are increasingly searching for 'better-for-you' lifestyles and salmon is considered one of the ideal superfoods to deliver this. The restaurant segment is also developing formats that cater to more health-oriented diners, although the luxurious eating experience delivered by our King salmon's high fat content remains the principal selling point in foodservice.

On the supply side, total world supply remained neutral throughout most of this year with immediate demand outpacing available supply. Although international growth forecasts predict a 4-5%<sup>10</sup> production rise, it will take some time for this to flow through to consumers. These continuing international supply conditions have created an ideal platform for the expansion of channels for our unique King salmon.

### A STRONG FOUNDATION IN NEW ZEALAND

We continue to aim to make our salmon available for New Zealanders. Our goal of doubling salmon consumption per capita within New Zealand is well underway. Being brand-led, we want consumers and diners to be able to identify our brands at point-of-purchase, and this year we have particularly focused on increasing the visibility of our brands in fresh retail. We also continue to actively engage with leading chefs and culinary specialists to expand our network of Ōra King users.

### GROWING OUR INTERNATIONAL FOOTPRINT

Fine-dining restaurants remain our main target for Ōra King, and in our largest export market of North America, we have further expanded our network of restaurants featuring our salmon. This year, we also explored retail opportunities in the United States more proactively. We believe there is a strong opportunity to pursue in the smoked salmon category, and with that in mind, discussions with retailers around our Regal brand have commenced. To support our growth strategy in North America, we have recruited additional resource across both sales channels.



Our markets in Australia and Japan have been slower growth in terms of value and brand depth, however we are seeing more promising results this year. Both of these markets are less responsive to global price and demand movements, and as a result, achieving parity with our other international markets widens the gap more significantly for our price positioning.

With domestic production in Australia steady, our positioning of Ōra King must offer a strongly differentiated proposition to Tasmanian Atlantic salmon. We have invested in our in-market sales activity and brand campaigns this year to increase the depth of Ōra King branding with our key audience.

Japan has been one of our longest-established markets and as discerning consumers of seafood, this market is an ideal fit for Ōra King. Over the past decades, our business in Japan was primarily retail focused, and we continue to work with a selection of the most premium outlets. Within the foodservice space, we have expanded our network of specialist distributors to capture more premium restaurant and hotel business. This year we also launched our Ōra King Awards in Japan to develop deeper relationships with our end-user chefs.

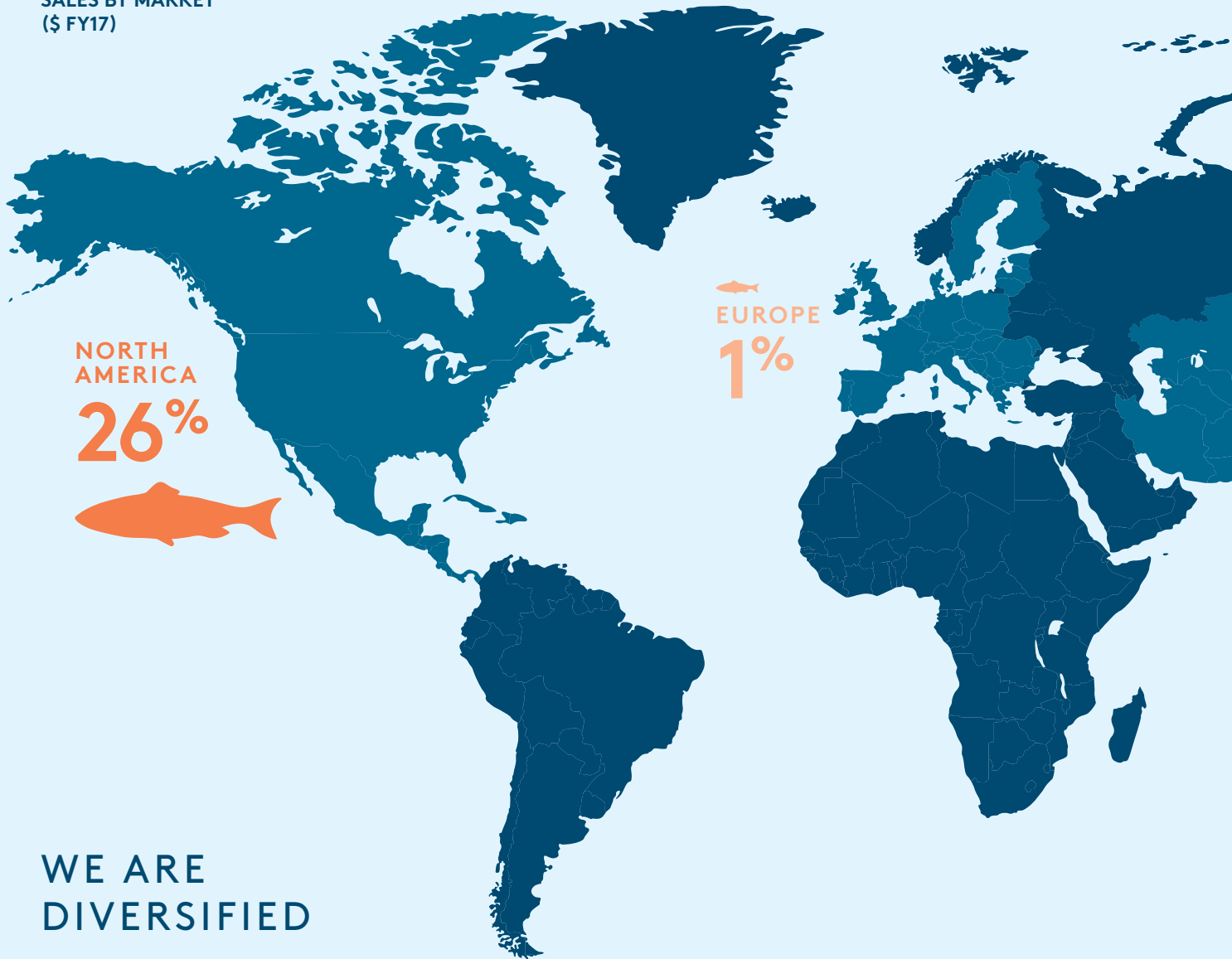
Similar opportunities for Regal and Ōra King exist within other Asian markets, including Hong Kong, Korea, Singapore, Taiwan and Thailand. We have added an additional resource to engage with supermarket chains and foodservice customers in this region.

Europe is one of the most sophisticated consumer markets in the world for premium seafood. Whilst early days for our business, we have begun introducing Ōra King and Regal to a select group of customers in a variety of formats, including a range of high-specification frozen Ōra King products.

Following our IPO, we recommenced sales of Ōra King into China in collaboration with our new shareholder, China Resources Ng Fung Limited. We are positive about the prospects for sales into this important growth market. Our first successful sales have been to leading premium supermarket chain Olé, as well as 5-star hotel chains.

<sup>10</sup> <http://www.fao.org/in-action/globefish/market-reports/resource-detail/en/c/887679/>

SALES BY MARKET  
(\$ FY17)



WE ARE  
DIVERSIFIED

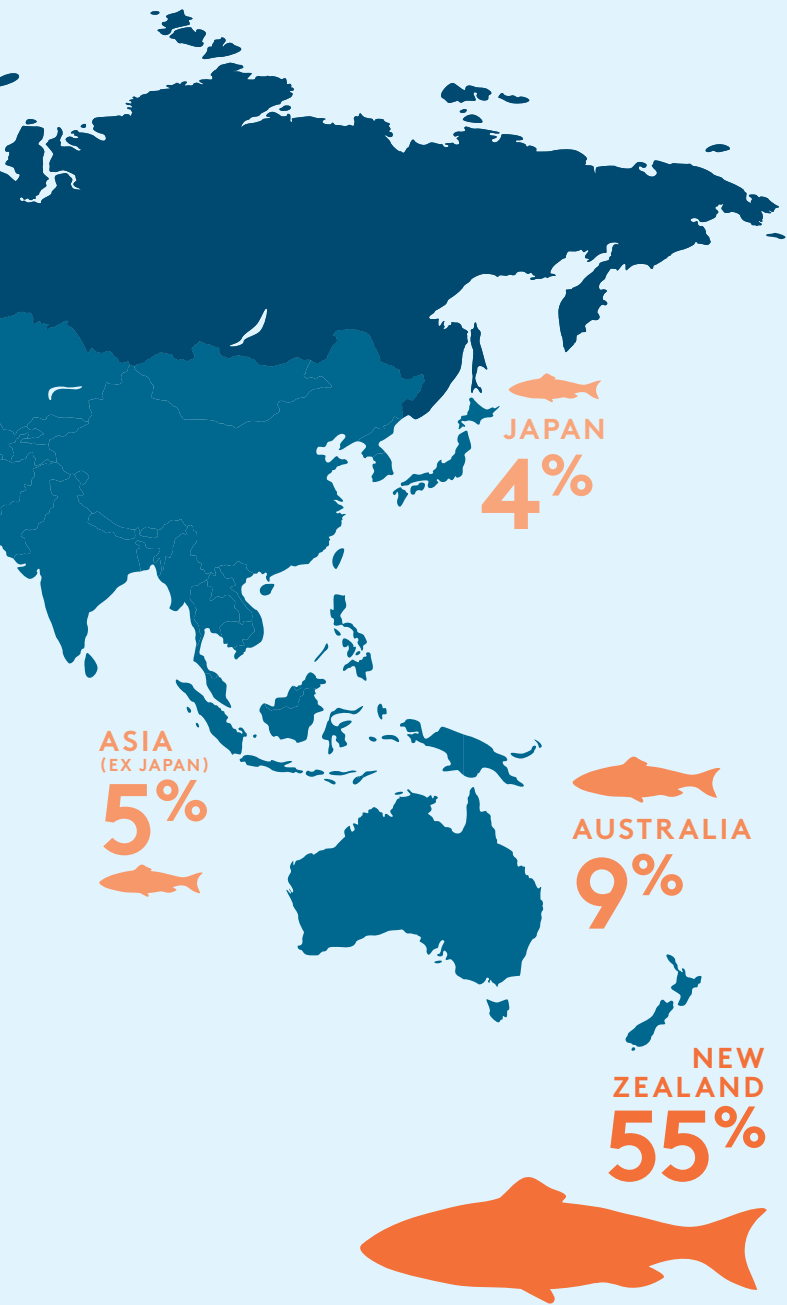
**Our operations are well diversified without over reliance on any one market, channel, brand or product. We have developed a robust formula to achieve value via our strong brands, which tell the story of our King salmon to a variety of audiences.**

We have significant plans to enhance not only the value of our existing brands, but also to create new brands, categories, markets and channels. We have started the process of moving beyond our core consumer and chef brands – Ōra King, Regal and Southern Ocean – into pet food (Omega Plus), and burley (Big Catch), with plans for expansion into even more future international brand ‘stars’ in the fertiliser, functional foods, and nutraceuticals categories.

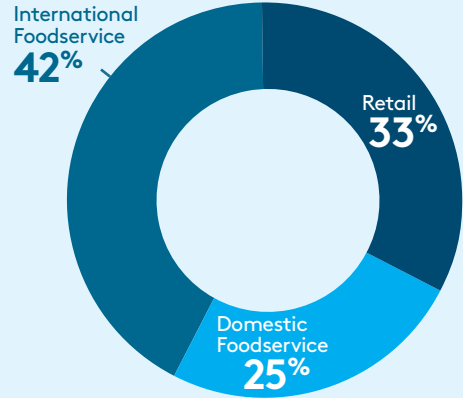
Through our long-term export relationships with importers and distributors we have the ability to shift volume to the highest-value markets while still maintaining a presence in other markets. This provides us with an ability to react to market and economic conditions, competitive activity, and currency movements.

We have an export focus, with sales to offshore markets supported by a strong domestic base. Whole fresh fish and processed products are sold under a range of brands and through both retail and foodservice channels. Our product diversification allows high margins to be achieved, regardless of fish grades – e.g. a lower-grade whole fish can be processed into a premium smoked product.

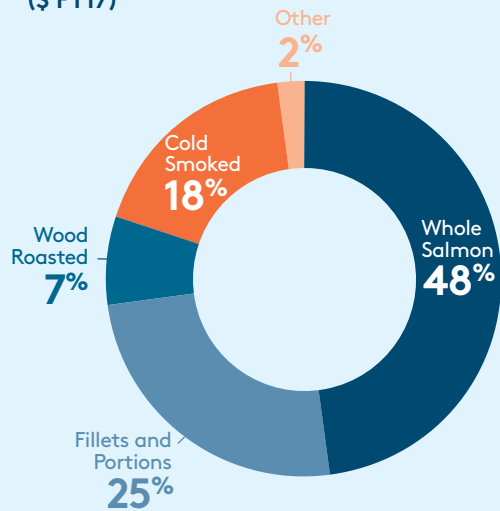




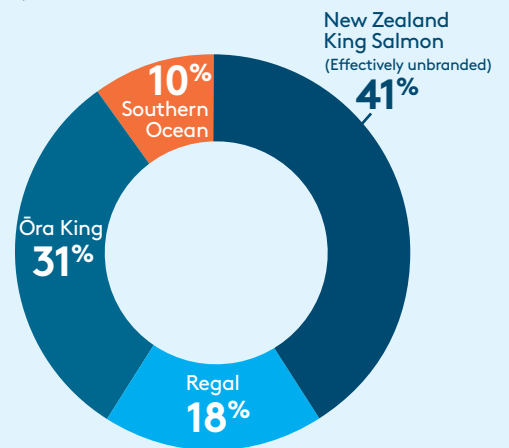
SALES BY CHANNEL  
(\$ FY17)



SALES BY PRODUCT  
(\$ FY17)



SALES BY BRAND  
(\$ FY17)





# DIRECTORS & MANAGEMENT



# BOARD OF DIRECTORS

.....

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

.....



**JOHN RYDER**  
*Independent Chairman*  
 MCom (Hons), CA, CMA

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



**THOMAS SONG**  
*Non-Executive Director*  
 FCCA

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



**JACK PORUS**  
*Non-Executive Director*  
 BCom, LLB

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

**MARK HUTTON**

*Independent  
Non-Executive Director*  
BCom

Mark became a board member of New Zealand King Salmon in 2008. Mark is a founding Director and Chairman of the investment committee for the Direct Capital private equity funds, and has a background in private equity, specialising in portfolio management, investments, acquisitions and capital funding. Mark is currently a Director of a number of Direct Capital entities and portfolio companies, including George H Investments Limited, Hiway Group Limited, and Stratex Group Limited. Mark is also a Director of NZX listed Scales Corporation Limited.

**PAUL STEERE**

*Independent  
Non-Executive Director*

Paul was the founding CEO of New Zealand King Salmon from its formation until 2009 and has been a Director of New Zealand King Salmon since 2009. Paul has a background in manufacturing, international trade and fast moving consumer goods having previously held senior executive positions with a British multinational including in Hong Kong and Singapore before joining the NZ Dairy Board as a General Manager for eight years. Paul is currently Chairman of ASX listed Cleanseas Tuna Limited, Chairman of Nelson Airport Limited, a Councillor of Nelson Marlborough Institute of Technology and a Director of other substantial private businesses. He served on the National Board of New Zealand Red Cross and its Foundation from 2003 to 2013.

**XIN WANG**

*Independent  
Non-Executive Director*  
MBA, Bs

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

**GRANT ROSEWARNE**

*Managing Director and CEO*  
MBA (Executive), BAppSc

Grant has considerable international fast moving consumer goods sales, marketing and general management experience. Grant has worked across a number of fast moving consumer goods categories including dairy, wine, fresh produce and dry grocery as well as foodservice segments from cafes to fine dining. Grant's international business expertise spans Britain, Europe and Australasia, with blue chip companies such as Unilever, Cerebos and Douwe Egberts/ Sara Lee.

Grant was appointed CEO of New Zealand King Salmon in 2009 and Managing Director in 2016. During his time with the business, Grant has focused on lifting New Zealand King Salmon's unique products from a premium commodity to a worldwide branded food delicacy.

## SENIOR LEADERSHIP TEAM



Left to right: Andrew Clark, Jemma McCowan, Ruben Alvarez, Grant Rosewarne, Graeme Tregidga, Shaun Young

### GRANT ROSEWARNE

*Managing Director and CEO*

MBA (Executive), BAppSc

See previous page.

### RUBEN ALVAREZ

*Chief Operating Officer*

Bachelor of Aquaculture Engineering, Diploma of Business & Administration

Ruben joined New Zealand King Salmon in 2014 to lead the aquaculture and processing operations teams. Ruben has more than 25 years of aquaculture experience across multiple countries (including Norway, Scotland and Saudi Arabia) and also includes roles with the world's largest salmon producer, Marine Harvest.

### ANDREW CLARK

*Chief Financial Officer*

BCom, ACA

Andrew joined New Zealand King Salmon in 2011. His previous roles include 17 years in the dairy industry where he occupied a number of senior finance roles in New Zealand, the United States, Venezuela and Uruguay.

### JEMMA MCCOWAN

*General Manager, Marketing*

BCom, BA

Jemma joined New Zealand King Salmon in 2012 to launch the Ōra King brand in New Zealand and abroad. Her previous roles include 15 years in international business development and marketing for food and consumer products based in New Zealand and the United Kingdom.

### GRAEME TREGIDGA

*General Manager, Sales*

Graeme joined New Zealand King Salmon in 2004. His previous roles included 16 years in the horticulture industry with various roles in processing, sales (internationally and domestic) and management.

### SHAUN YOUNG

*General Manager, Supply Chain*

BCom

Shaun has been with New Zealand King Salmon since 2008. He was based in Auckland as General Manager Retail Sales & Marketing before moving to Nelson in early 2015 to take up the role of General Manager Supply Chain. Previously he worked with Goodman Fielder and Cadbury in sales management and analytical roles.

The background of the entire page is a close-up, high-angle shot of blue water with gentle ripples and reflections, creating a textured, shimmering effect. The colors range from deep cerulean to lighter, sunlit blues.

# FINANCIAL STATEMENTS

---

1 JULY 2016 - 30 JUNE 2017





# CONTENTS

<b>Consolidated statement of comprehensive income</b>	<b>58</b>
<b>Consolidated statement of financial position</b>	<b>59</b>
<b>Consolidated statement of changes in equity</b>	<b>60</b>
<b>Consolidated statement of cash flows</b>	<b>61</b>
<b>Notes to the consolidated financial statements</b>	<b>62</b>
1. Corporate information	62
2. Basis of preparation	62
3. Summary of significant accounting policies	63
4. New standards and interpretations not yet adopted	67
5. Segment information	68
6. Other income	69
7. Expenses	69
8. Financing income and costs	69
9. Income tax	70
10. Components of other comprehensive income	71
11. Earnings per share	71
12. Cash and cash equivalents	71
13. Trade and other receivables	72
14. Inventories	72
15. Biological assets	73
16. Property, plant and equipment	74
17. Intangibles	75
18. Non-current assets held for sale	76
19. Interest bearing loans and borrowings	76
20. Trade and other payables	76
21. Employee benefits	76
22. Commitments and contingencies	77
23. Financial risk management	77
24. Fair values of financial instruments	80
25. Capital management	80
26. Capital and reserves	81
27. Events after balance date	82
28. Related party disclosures	82
29. Auditors remuneration	83
30. Reconciliation of the net cash flow from operating activities to profit/(loss)	84
31. Comparison to prospective financial statements	84
<b>Auditors Report</b>	<b>88</b>
<b>Corporate Governance</b>	<b>92</b>
<b>Remuneration Report</b>	<b>97</b>
<b>Director Disclosures</b>	<b>101</b>
<b>Corporate Directory</b>	<b>104</b>
<b>Glossary</b>	<b>105</b>

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$000	2016 \$000
Revenue	5	136,351	114,060
Cost of goods sold	14	(119,879)	(104,883)
Fair value gain on biological transformation	15	54,845	30,223
Freight costs to market		(13,360)	(10,134)
<b>Gross profit</b>		<b>57,957</b>	<b>29,266</b>
Other income	6	2,574	1,281
Sales, marketing and advertising expenses		(8,748)	(6,815)
Distribution overheads		(2,993)	(2,041)
Corporate expenses	7	(7,261)	(6,062)
Other expenses	7	(2,996)	(1,813)
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>38,533</b>	<b>13,816</b>
Depreciation and amortisation expense	16, 17	(4,366)	(4,244)
Impairment of non-current assets	16, 17	-	(1,037)
Finance income	8	188	65
Finance expenses	8	(1,990)	(5,215)
<b>Profit before tax</b>		<b>32,365</b>	<b>3,385</b>
Income tax expense	9	(9,601)	(792)
<b>Net profit after tax</b>		<b>22,764</b>	<b>2,593</b>
<b>Other comprehensive income</b>			
Foreign currency translation differences	10	12	(194)
Net movement on cash flow hedges	10	6,063	(3,011)
Income tax effect of movement on cash flow hedges	10	(1,700)	843
Share based payment expense	10	142	-
<b>Net other comprehensive income/(loss)</b>		<b>4,517</b>	<b>(2,362)</b>
<b>Total comprehensive income/(loss)</b>		<b>27,281</b>	<b>231</b>
<b>Earnings per share</b>			
Basic earnings per share	11	\$0.16	\$0.02
Diluted earnings per share	11	\$0.16	\$0.02

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

ASSETS	Note	2017 \$000	2016 \$000
<b>Current assets</b>			
Cash and cash equivalents	12	10,647	2,419
Trade and other receivables	13	11,688	10,229
Inventories	14	16,674	17,291
Biological assets	15	68,556	45,537
Non-current assets held for sale	18	421	421
Other financial assets	28	-	2,758
Derivative financial assets	24	2,066	526
<b>Total current assets</b>		<b>110,052</b>	<b>79,181</b>
<b>Non-current assets</b>			
Property, plant and equipment	16	35,726	32,596
Biological assets	15	10,960	7,413
Derivative financial assets	24	3,196	1,443
Deferred tax asset	9	1,636	1,967
Intangible assets	17	3,687	3,868
Goodwill	17	39,255	39,255
<b>Total non-current assets</b>		<b>94,460</b>	<b>86,542</b>
<b>TOTAL ASSETS</b>		<b>204,512</b>	<b>165,723</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	20	13,282	15,416
Employee benefits	21	3,028	2,384
Borrowings	19	414	19,326
Shareholder loans	28	-	73,114
Other financial liabilities	28	18	4,427
Derivative financial liabilities	24	1,277	2,319
Taxation payable		2,285	580
<b>Total current liabilities</b>		<b>20,304</b>	<b>117,566</b>
<b>Non-current liabilities</b>			
Employee benefits	21	451	465
Borrowings	19	10,124	163
Deferred tax liabilities	9	14,010	7,740
Derivative financial liabilities	24	948	2,775
<b>Total non-current liabilities</b>		<b>25,533</b>	<b>11,143</b>
<b>TOTAL LIABILITIES</b>		<b>45,837</b>	<b>128,709</b>
<b>NET ASSETS</b>		<b>158,675</b>	<b>37,014</b>
<b>EQUITY</b>			
Share capital	26	122,518	25,296
Reserves		1,795	(2,722)
Retained earnings		34,362	14,440
<b>TOTAL EQUITY</b>		<b>158,675</b>	<b>37,014</b>
<b>Net tangible assets per share</b>			
Net tangible assets per share		\$1.15	\$1.09

For and on behalf of the Board, who authorised the issue of these financial statements on 24 August 2017.

  
 \_\_\_\_\_  
 DIRECTOR  
 24 August 2017

  
 \_\_\_\_\_  
 DIRECTOR  
 24 August 2017

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Share Capital \$000	Foreign Currency Translation Reserve \$000	Hedge Reserve \$000	Share Based Payment Reserve \$000	Retained Earnings \$000	Total Equity \$000
<b>Balance as at 1 July 2016</b>		25,296	(527)	(2,195)	-	14,440	<b>37,014</b>
Profit for the period		-	-	-	-	22,764	<b>22,764</b>
Other comprehensive income/(loss)	10	-	12	4,363	142	-	<b>4,517</b>
<b>Total comprehensive income/(loss) for the period</b>		-	<b>12</b>	<b>4,363</b>	<b>142</b>	<b>22,764</b>	<b>27,281</b>
Increase in share capital in preparation for IPO	26	68,914	-	-	-	-	<b>68,914</b>
Shares issued	26	30,105	-	-	-	-	<b>30,105</b>
Transaction costs arising on share issue	26	(1,797)	-	-	-	-	<b>(1,797)</b>
Distribution to shareholders	26	-	-	-	-	(2,842)	<b>(2,842)</b>
<b>Balance as at 30 June 2017</b>		<b>122,518</b>	<b>(515)</b>	<b>2,168</b>	<b>142</b>	<b>34,362</b>	<b>158,675</b>
<b>Balance as at 1 July 2015</b>		25,296	(333)	(27)	-	11,847	<b>36,783</b>
Profit for the period		-	-	-	-	2,593	<b>2,593</b>
Other comprehensive income/(loss)	10	-	(194)	(2,168)	-	-	<b>(2,362)</b>
<b>Total comprehensive income/(loss) for the period</b>		-	<b>(194)</b>	<b>(2,168)</b>	-	<b>2,593</b>	<b>231</b>
<b>Balance as at 30 June 2016</b>		<b>25,296</b>	<b>(527)</b>	<b>(2,195)</b>	-	<b>14,440</b>	<b>37,014</b>

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$000	2016 \$000
<b>Operating activities</b>			
Receipts from customers		135,163	112,655
Payments to suppliers		(97,428)	(80,432)
Payments to employees		(30,268)	(26,359)
Interest received		181	50
Interest paid		(1,317)	(1,424)
Insurance and settlement income		1,998	562
Income tax paid		(2,999)	(1,002)
<b>Net cash flows from operating activities</b>	30	<b>5,330</b>	<b>4,050</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		29	67
Purchase of property, plant and equipment		(7,449)	(6,972)
Purchase of intangible assets		(48)	(67)
<b>Net cash flow from investing activities</b>		<b>(7,468)</b>	<b>(6,972)</b>
<b>Financing activities</b>			
Repayment of revolving loan		(8,876)	(1,000)
Government grants received		110	-
Gross proceeds from share issue		30,105	-
Transaction costs arising from share issue		(1,797)	-
Proceeds from shareholder advances		1,402	1,100
Repayment of shareholder advances		(7,651)	(210)
Payment of finance lease liabilities		(85)	(71)
Dividends paid		(2,842)	-
<b>Net cash flows from financing activities</b>		<b>10,366</b>	<b>(181)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,228</b>	<b>(3,103)</b>
Cash and cash equivalents at 1 July	12	2,419	5,522
<b>Cash and cash equivalents at 30 June</b>	12	<b>10,647</b>	<b>2,419</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 1. CORPORATE INFORMATION

The financial statements of New Zealand King Salmon Investments Limited (the Company) and its subsidiaries (together the Group) for the year ended 30 June 2017 were authorised by the Directors on 24 August 2017.

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

## 2. BASIS OF PREPARATION

### a. Statement of compliance

The consolidated financial statements comply with International Financial Reporting Standards (IFRS) and also with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

### b. Basis of measurement

The financial statements have been prepared on a historical cost basis except for biological assets and financial instruments which have been measured at fair value.

### c. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported outcomes of revenues, expenses, assets, liabilities and the accompanying disclosures. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Uncertainties about these assumptions and estimates could result in an outcome that requires a material adjustment to the carrying amount of assets or liabilities in future periods.

Specific areas requiring significant estimates and judgements include:

#### *Valuation of biological assets*

The Group recognises stocks of live fish at fair value less costs to sell according to the principles of NZ IAS 41 Agriculture. The fair value is measured using a valuation model that relies on various assumptions and information available at balance date. Inputs include anticipated market prices, quality mix, current weights of livestock relative to expected harvest weight, mortality rates, growth rates and production costs. The income or loss that is ultimately recognised at time of sale may be significantly different from that implied by the fair value adjustment at the end of a reporting period. The fair value uplift from accumulated costs to date has no cash impact. Further details of the valuation and sensitivity to change in key inputs are given in note 15.

#### *Impairment testing of intangibles*

The Group reviews the carrying value of goodwill on an annual basis and assesses whether it is impaired according to the principles of NZ IAS 36 Impairment of Assets. This requires the goodwill to be allocated to cash generating units with which it would naturally be associated and the value in use of the cash generating units to be estimated. The value in use is estimated using a standard industry model that relies on various assumptions and information available at balance date. Inputs include estimations of the growth rate of the Group, future market conditions, prices, and discount rates. Further details of the valuation are given in note 17.

#### *Valuation of financial derivative*

The Group recognises financial derivatives at fair value according to the principles of NZ IFRS 13 Fair Value Measurement. The value is calculated by a third party expert using an industry standard model. Inputs to the model are obtained externally by the service provider. Further details of the valuation are included in note 24.

#### *Useful lives of assets*

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

## d. Foreign currency translation

### *Functional and presentation currency*

The Group's consolidated financial statements are presented in New Zealand dollars, which is also the parent Company's functional currency. The Australian subsidiary's functional currency is Australian dollars which is translated into the presentation currency in these financial statements.

### *Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at balance date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### *Translation of Group subsidiaries functional currency to presentation currency*

The assets and liabilities of the Australian subsidiary are translated into New Zealand dollars at the rate of exchange at balance date. Revenues and expenses are translated at rates approximating the exchange rate at the date of the transaction. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of consolidation

The financial statements comprise the financial statements of New Zealand King Salmon Investments Limited and its subsidiaries (per note 28) as at 30 June each year. Subsidiaries are all those entities over which the Company has control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

### b. Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition date fair value of assets acquired by the Group and the liabilities assumed by the Group. Acquisition related costs are expensed as incurred and included in administrative expenses. Any contingent consideration to be transferred by the Group is recognised at fair value at acquisition date.

### c. Financial instruments

All financial instruments are initially recognised at the fair value of the consideration received, less directly attributable transaction costs in the case of financial assets and liabilities not recorded at fair value through profit or loss. Subsequently the Group applies the following accounting policies for financial instruments:

#### *Cash and cash equivalents*

Cash and cash equivalents in the balance sheet comprise cash at bank and call deposits. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits net of outstanding bank overdrafts.

#### *Trade and other receivables*

Short term trade and other receivables are not discounted and are initially stated at cost. Gains and losses are recognised in the profit or loss when the receivables are derecognised or impaired.

#### *Loans*

Loans and amounts owing from related companies are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans are derecognised or impaired.

#### *Trade and other payables*

Trade and other payables are carried at cost due to their short term nature and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

#### *Interest bearing borrowings*

After initial recognition interest bearing borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on establishment of loan facilities that are yield related are included as part of the carrying amount. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date. Borrowing costs are generally recognised as an expense when incurred with the exception of borrowing costs associated with a qualifying asset which are capitalised as part of the cost of that asset.

### Financial guarantee

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial Guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributed to the issuance of the guarantee. Subsequently the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at balance date and the amount recognised less cumulative amortisation.

### Derivative financial instruments and hedging

The Group uses derivative financial instruments including forward currency contracts, options and interest rate swaps to hedge risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value at balance date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of interest rate swaps are determined by reference to market values for similar instruments.

The Group designates its derivative financial instruments as hedges of a particular risk associated with a recognised asset or liability or a highly probable commitment that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedge reserve, while the ineffective portion is recognised in profit or loss as other income or expenses.

Amounts accumulated in equity are transferred to profit or loss when the hedged item affects profit or loss.

## d. Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost or net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

**Raw materials** – the cost of fish is measured at fair value at harvest date. The cost of other raw materials is based on the purchase price including import duties and other taxes, transport, handling and other costs directly attributable to the acquisition of the goods and materials. Costs are determined on a weighted average basis.

**Manufactured finished goods and work in progress** - cost of direct materials, labour and a proportion of manufacturing overheads appropriate to the state of manufacture. Costs are assigned on the basis of weighted average costs. The cost of items transferred from biological assets is their fair value less costs to sell at the date of harvest.

**Net realisable value** - the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

## e. Biological assets

Biological assets include fish livestock measured at fair value less estimated costs to sell. The net gain or loss resulting from the fair value measurement is recognised in profit or loss.

The fair value of fish livestock is derived from the amount expected to be received from the sale of the asset in an active market. The target live weight of the harvestable fish is defined as a fish with a live weight of 4kg or greater. Many fish are harvested with a live weight above or below this weight.

For brood stock and fish where little biological transformation has taken place since initial cost was incurred, cost less impairment is used as an approximation of fair value. This value is used up to the point at which fish are transferred to sea water. Fish stock is transferred to inventory at the time of harvest. The transfer is recorded at its fair value which is deemed to be cost for the purposes of inventory valuation.

## f. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

Freehold land	not depreciated
Freehold buildings	twenty to fifty years
Building fit out	three to twenty five years
Leasehold improvements	five to ten years
Plant, furniture and fittings	three to twenty years
Motor vehicles	five years
Sea vessels	ten to twenty years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively if appropriate. An asset's carrying value is written down immediately to its recoverable amount if its carrying value is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.



## g. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### *Group as a lessee*

A lease is classified at the inception date as a finance lease or an operating lease. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in profit or loss as an integral part of the total lease expense.

## h. Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and the expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of useful life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to definite is made on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

### *Goodwill and trade marks*

Useful lives:	Indefinite
Internally generated or acquired:	Acquired

### *Intellectual property, marine farm and hatchery licences and marina berth*

Useful lives:	Finite
Amortisation method used:	Straight line, five to thirty five years
Internally generated or acquired:	Acquired

### *Computer Software*

Useful lives:	Finite
Amortisation method used:	Straight line, four to seven years
Internally generated or acquired:	Acquired

## i. Research and development costs

Research costs are generally expensed as incurred. Development expenditures are capitalised as intangible assets when the Group can demonstrate:

- Costs can be reliably measured.
- Completion of the project is technically feasible.
- Resources are available to complete the project.
- There is an intention to use the resulting asset and it will generate future economic benefits.

During the period of development the asset is tested for impairment annually.

## j. Employee benefits

### *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

### *Long service leave*

The liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

### *Defined contribution plans*

Contributions made to a defined contribution plan are expensed as incurred.

## k. Contributed equity

### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax from the proceeds. Other capital raising costs are expensed as incurred.

## l. Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### *Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are passed to the buyer depending on the agreed shipping terms. This is typically when legal ownership is passed over.

### *Interest income*

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

### *Insurance proceeds*

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

## m. Taxes

### *Income taxes*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### *Other taxes*

Revenues, expenses and assets are recognised net of the amount of GST, except when:

- The GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.
- The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the balance sheet.
- Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.
- The Group recognises uncertain tax positions as a liability where it is probable that an outflow of resources will be required.

## n. Share-based payments

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

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

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

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

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

## 4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

### *NZ IFRS 9: Financial Instruments*

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

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

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

### *NZ IFRS 15: Revenue from Contracts with Customers*

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

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

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

### *NZ IFRS 16: Leases*

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

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

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

## 5. SEGMENT INFORMATION

### Segment results

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

The Group's reportable segments are:

#### *New Zealand Retail*

The company provides these customers with pre-packed value added products (including wood roasted and cold smoked product), whole fresh fish and pre-cut fillets.

#### *New Zealand Foodservice*

The company provides these customers with a broad variety of salmon products including whole fresh fish, pre-cut fillets, portions and a range of smoked products.

#### *Export*

Predominantly customers based outside New Zealand most of whom currently fall into the Foodservice category as described above.

Segment performance is evaluated at the EBITDA level and results are as follows:

	New Zealand Retail \$000	New Zealand Foodservice \$000	Export Market \$000	Total \$000
<b>Year ended 30 June 2017</b>				
Revenue	35,439	38,385	62,527	<b>136,351</b>
Segment EBITDA	8,675	11,431	18,427	<b>38,533</b>
<b>Year ended 30 June 2016</b>				
Revenue	28,208	35,899	49,953	<b>114,060</b>
Segment EBITDA	2,046	3,643	8,127	<b>13,816</b>

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:

	2017 \$000	2016 \$000
Segment profit	<b>38,533</b>	<b>13,816</b>
Depreciation, amortisation and impairment	(4,366)	<b>(5,281)</b>
Net finance costs	(1,802)	<b>(5,150)</b>
<b>Group profit before tax</b>	<b>32,365</b>	<b>3,385</b>

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.

	2017 \$000	2016 \$000
<b>Revenue by geographical location of customers</b>		
New Zealand	73,824	64,107
North America	35,956	27,419
Australia	12,035	9,642
Japan	6,034	5,552
Europe	1,986	1,926
Other	6,516	5,414
<b>Total revenue</b>	<b>136,351</b>	<b>114,060</b>

Sales net of settlement discounts to one major customer for the year totalled \$16,511k or 12% of total sales (2016 one major customer accounted for \$14,094k or 12%). In both years, these customers were included in the New Zealand Retail segment.

## 6. OTHER INCOME

	2017	2016
	\$000	\$000
<b>Other income</b>		
Grants received	112	-
Supplier settlement	1,784	-
Insurance settlements	214	562
Supplier forgiveness of debt	348	549
Profit on sale of property, plant and equipment	28	29
Other income	88	141
<b>Total other income</b>	<b>2,574</b>	<b>1,281</b>

## 7. EXPENSES

	2017	2016
	\$000	\$000
<b>Corporate and other expenses include:</b>		
Trade receivables written off	1	86
Impairment of trade receivables	84	(62)
Professional fees related to capital raising	1,970	841
Research cost	849	927
Fish health event	-	952
Water space process expense	846	397
Loss on disposal of property, plant and equipment	180	20
Minimum lease payments - operating leases	1,118	991
Directors' fees	320	214
Other Directors' expenses	18	14
Donations	43	14

In addition to the Directors' fees above, capital raising costs expensed and deducted from share capital during the period ended 30 June 2017 included \$50k of fees paid to Directors in relation to the additional work in the capital raising process.

	2017	2016
	\$000	\$000
<b>Employee benefits expense</b>		
Wages and salaries	26,445	23,473
Defined contribution plan expenses	569	472
Restructuring costs	(4)	-
Other employee benefits expenses	4,031	3,132
<b>Total employee benefits expense</b>	<b>31,041</b>	<b>27,077</b>

## 8. FINANCE INCOME AND COSTS

	2017	2016
	\$000	\$000
<b>Finance income</b>		
Interest income	188	65
<b>Total finance income</b>	<b>188</b>	<b>65</b>

	2017	2016
	\$000	\$000
<b>Finance costs</b>		
Bank facility fees	284	338
Interest on bank loans and overdrafts	1,210	1,097
Interest on shareholder loans	496	3,780
<b>Total finance costs</b>	<b>1,990</b>	<b>5,215</b>

Interest was paid on shareholder loans at a rate of 8.5% p.a. (2016: 8.5% p.a.). Interest on shareholder loans commenced in September 2015 and ceased in July 2016. In preparation for the IPO, shareholder loans of \$70,202k were converted to shares, see note 26 for further detail.

## 9. INCOME TAX

	2017	2016
	\$000	\$000
<b>Recognised in the consolidated statement of comprehensive income</b>		
Current income tax expense	4,745	1,574
Over provision - previous year	(49)	-
Deferred tax relating to origination and reversal of temporary differences	4,905	(782)
<b>Total income tax expense/(credit) in the statement of comprehensive income</b>	<b>9,601</b>	<b>792</b>
<b>Tax amounts posted directly to equity</b>	<b>(1,700)</b>	<b>843</b>
<b>Reconciliation of tax expense to statutory income tax rate</b>		
Profit/(loss) before tax	32,365	3,385
Income tax using the company tax rate 28%	9,063	948
Non-deductible/non-assessable items	617	257
Over provision - previous year	(49)	-
Tax losses not previously recognised and now utilised	-	(400)
Other differences	(30)	(13)
<b>Total tax expense</b>	<b>9,601</b>	<b>792</b>
<b>Statement of financial position deferred tax assets and liabilities</b>		
<b>Deferred tax liabilities</b>	<b>\$000</b>	<b>\$000</b>
Accelerated depreciation for tax purposes	(2,853)	(2,720)
Fair value adjustment to biological assets	(9,640)	(4,649)
Gains on foreign currency hedges	(1,108)	-
Increase accounting cost for finished goods	(409)	(371)
<b>Total deferred tax liabilities</b>	<b>(14,010)</b>	<b>(7,740)</b>
<b>Deferred tax assets</b>		
Provision for doubtful trade debtors	43	17
Provision for employee benefits	570	546
Impairment of non-current assets	176	290
Share based payments	40	-
Losses on foreign currency hedges	258	853
Other provisions	549	261
<b>Total deferred tax assets</b>	<b>1,636</b>	<b>1,967</b>
<b>Net deferred tax liability</b>	<b>(12,374)</b>	<b>(5,773)</b>
<b>Statement of comprehensive income deferred tax assets and liabilities</b>		
<b>Deferred tax liabilities</b>	<b>\$000</b>	<b>\$000</b>
Accelerated depreciation for tax purposes	129	(163)
Fair value adjustment to biological assets	4,991	(200)
Increase accounting cost for finished goods	38	122
<b>Total deferred tax liabilities</b>	<b>5,158</b>	<b>(241)</b>
<b>Deferred tax assets</b>		
Provision for doubtful trade debtors	(26)	20
Provision for employee benefits	(24)	(93)
Impairment of non-current assets	114	(290)
Share based payments	(40)	-
Other provisions	(277)	(178)
<b>Total deferred tax assets</b>	<b>(253)</b>	<b>(541)</b>
<b>Deferred tax (credit)/expense</b>	<b>4,905</b>	<b>(782)</b>

### Imputation credit account

The imputation credit account balance in the New Zealand King Salmon Company Limited as at 30 June 2017 is \$1,821k (2016: \$986k).

## 10. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2017	2016
	\$000	\$000
<b>Other comprehensive income</b>		
<i>Forward currency contracts</i>		
Reclassification during the year to profit or loss	(18)	(77)
Income tax effect	5	22
Realised/unrealised net gain/(loss) during the year	4,997	(1,961)
Income tax effect	(1,400)	549
<i>Interest rate swaps</i>		
Realised/unrealised net gain/(loss) during the year	1,084	(974)
Income tax effect	(305)	273
<i>Currency translation differences</i>		
Currency translation differences	12	(194)
<i>Share based payment expenses</i>		
Share based payment expense	142	-
<b>Net movement on other comprehensive income</b>	<b>4,517</b>	<b>(2,362)</b>

## 11. EARNINGS PER SHARE

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

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

	2017	2016
	\$000	\$000
<b>Earnings per share</b>		
Profit attributable to ordinary equity holders	22,764	2,593
	<b># of Shares</b>	<b>Restated # of Shares</b>
	<b>000</b>	<b>000</b>
Weighted average number of ordinary shares for diluted earnings per share	138,158	110,191
<b>Basic earnings per share</b>	\$0.16	\$0.02
<b>Diluted earnings per share</b>	\$0.16	\$0.02

## 12. CASH AND CASH EQUIVALENTS

	2017	2016
	\$000	\$000
<b>Cash and cash equivalents</b>		
Cash at bank and on hand	10,175	1,665
Short-term deposits	472	754
<b>Total cash and cash equivalents</b>	<b>10,647</b>	<b>2,419</b>

### 13. TRADE AND OTHER RECEIVABLES

	2017	2016
	\$000	\$000
<b>Trade and other receivables</b>		
Trade receivables	10,848	9,156
Allowance for impairment loss	(153)	(69)
Prepayments	970	1,098
Other receivables	23	44
<b>Total trade and other receivables</b>	<b>11,688</b>	<b>10,229</b>

Trade receivables generally have 20-30 day terms and are recognised at their realisable value. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. Impairment losses are recognised net of insurance proceeds when there is objective evidence that the Group will not be able to collect the debt.

	2017	2016
	\$000	\$000
<b>Ageing analysis of trade receivables</b>		
> 90 days overdue	90	176
31 - 90 days overdue	68	45
15 - 30 days overdue	49	82
< 15 days overdue	1,867	1,157
Not yet due	8,774	7,696
<b>Total receivables</b>	<b>10,848</b>	<b>9,156</b>

	2017	2016
	\$000	\$000
<b>Receivables impairment movement</b>		
As at 1 July	69	131
Additional provisions for impairment	151	10
Receivables written off during the year	1	-
Reversal of unused amounts	(68)	(72)
<b>As at 30 June</b>	<b>153</b>	<b>69</b>

### 14. INVENTORIES

	2017	2016
	\$000	\$000
<b>Inventories</b>		
Raw materials	9,525	9,811
Work in progress	-	50
Finished goods	7,149	7,430
<b>Total inventories</b>	<b>16,674</b>	<b>17,291</b>

The closing cost of finished goods as at 30 June 2017 includes a fair value uplift at point of harvest of \$2,391k (2016: \$2,507k) and an impairment provision of \$1,446k (2016: \$1,572k).

	2017	2016
	\$000	\$000
<b>Amount of inventories recognised as an expense in the statement of comprehensive income</b>		
Cost of inventories recognised as an expense	119,627	104,491
Movement in net realisable value of inventory decrease	252	392
<b>Total cost of goods sold</b>	<b>119,879</b>	<b>104,883</b>

The cost of inventories recognised as an expense for the year ended 30 June 2017 includes a fair value uplift at point of harvest of \$37,135k (2016: \$30,116k).



## 15. BIOLOGICAL ASSETS

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

Biological assets	Fair Value Gain		Total
	Cost		
	\$000	\$000	\$000
<b>As at 1 July 2016</b>	36,347	16,603	52,950
Increase due to biological transformation <sup>1</sup>	70,330	50,606	120,936
Decrease due to harvest <sup>2</sup>	(56,346)	(37,019)	(93,365)
Decrease due to mortality <sup>3</sup>	(5,244)	-	(5,244)
Changes in fair value <sup>4</sup>	-	4,239	4,239
<b>As at 30 June 2017</b>	<b>45,087</b>	<b>34,429</b>	<b>79,516</b>

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

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

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

<sup>4</sup> Changes in fair value are impacted by movements in estimated future gross margin primarily being changes in estimated future sales price and costs to sell (future fish growth costs, harvesting, processing and distribution costs).

Biological assets	Fair Value Gain		Total
	Cost		
	\$000	\$000	\$000
<b>As at 1 July 2015</b>	30,272	17,323	47,595
Increase due to biological transformation	61,886	29,644	91,530
Decrease due to harvest	(47,760)	(30,943)	(78,703)
Decrease due to mortality	(8,051)	-	(8,051)
Changes in fair value	-	579	579
<b>As at 30 June 2016</b>	<b>36,347</b>	<b>16,603</b>	<b>52,950</b>

Fair value gain/(loss) recognised in profit and loss	2017	2016
	\$000	\$000
Gain arising from growth of biological assets	50,606	29,644
Movement in fair value of biological assets	4,239	579
<b>Total fair value gain on biological transformation</b>	<b>54,845</b>	<b>30,223</b>

Harvested biomass	2017	2016
	mt	mt
Harvested live weight biomass	8,218	7,176
<b>Total live weight harvested for the period (metric tonne)</b>	<b>8,218</b>	<b>7,176</b>

Estimated closing biomass	2017	2016
	mt	mt
Closing fresh water stocks	142	174
Closing sea water stocks	6,085	4,400
<b>Total estimated closing biomass live weight as a 30 June</b>	<b>6,227</b>	<b>4,574</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 stocks including climatic events, disease and contamination of water space.

The Group seeks to produce and market the highest quality salmon products. Extensive monitoring and benchmarking is carried out to provide optimum conditions and diets to maximise fish performance during the grow out cycle. Sales are maintained in a range of brands, products and markets to maximise returns from the quality mix of fish harvested. The Group has insurance to cover some of the risks relating to the livestock.

The estimate of unrealised fair value gain from cost is based on several assumptions. Changes in these assumptions will impact the fair value calculation. The realised profit which is achieved on the sale of inventory will differ from the calculations of fair value of biological assets because of changes in key factors such as the final market destinations of inventory sold, changes in price, foreign exchange rates, harvest weight, growth rates, mortality, cost levels and differences in harvested fish quality.

Leaving all other variables constant a 5.0% increase/decrease in average future sales prices would increase/decrease the fair value of biological assets on hand and profit before tax by \$5.4m (excludes the impact of finished goods), while a 5.0% increase/decrease in future harvest volume would increase/decrease the fair value of biological assets on hand and profit before tax by \$1.7m.

A 5% increase/decrease in costs to sell would increase/decrease the fair value of biological assets on hand and profit before tax by \$3.7m. Changes in fish health and environmental factors may affect the quality of harvested fish, which may be reflected in realised profit via both achieved sales price and production costs.

**16. PROPERTY, PLANT AND EQUIPMENT**

	Freehold land and buildings	Plant, equipment and fittings	Vehicles and sea vessels	Construction in progress	Total
Cost	\$000	\$000	\$000	\$000	\$000
<b>As at 1 July 2015</b>	8,071	44,891	2,457	2,001	57,420
Additions	958	6,791	122	6,979	14,850
Disposals	-	(763)	(194)	(7,895)	(8,852)
<b>As at 30 June 2016</b>	<b>9,029</b>	<b>50,919</b>	<b>2,385</b>	<b>1,085</b>	<b>63,418</b>
Additions	715	4,744	137	7,573	13,169
Disposals	(49)	(4,456)	(157)	(5,724)	(10,386)
<b>As at 30 June 2017</b>	<b>9,695</b>	<b>51,207</b>	<b>2,365</b>	<b>2,934</b>	<b>66,201</b>
<b>Depreciation and impairment</b>					
<b>As at 1 July 2015</b>	1,241	24,480	1,268	-	26,989
Depreciation	201	3,441	176	-	3,818
Impairment	-	522	391	-	913
Disposals	-	(758)	(141)	-	(899)
<b>As at 30 June 2016</b>	<b>1,442</b>	<b>27,685</b>	<b>1,694</b>	<b>-</b>	<b>30,821</b>
Depreciation	250	3,748	125	-	4,123
Impairment	-	-	-	-	-
Disposals	(33)	(4,285)	(151)	-	(4,469)
<b>As at 30 June 2017</b>	<b>1,659</b>	<b>27,148</b>	<b>1,668</b>	<b>-</b>	<b>30,475</b>
<b>Net Book Value</b>					
<b>As at 30 June 2016</b>	<b>7,587</b>	<b>23,234</b>	<b>691</b>	<b>1,085</b>	<b>32,596</b>
<b>As at 30 June 2017</b>	<b>8,036</b>	<b>24,059</b>	<b>697</b>	<b>2,934</b>	<b>35,726</b>

**Borrowing costs**

There were no borrowing costs capitalised in 2017 (2016: \$46k).

**Impairment**

There were no impairment losses in 2017 (2016: \$913k).

**Finance leases**

The carrying value of property, plant and equipment held under finance leases as at 30 June 2017 was \$353k (2016: \$229k). There were additions of property, plant and equipment under finance leases in the 2017 year of \$136k (2016: \$0). Leased assets are pledged as security for the related finance lease liabilities.

## 17. INTANGIBLES

	Trademarks	Farm and hatchery licenses	Software licenses	Goodwill	Total
Cost	\$000	\$000	\$000	\$000	\$000
<b>As at 1 July 2015</b>	242	4,904	3,910	39,255	48,311
Additions	-	50	19	-	69
Disposals	-	-	(2)	-	(2)
Transferred to assets held for sale	-	(632)	-	-	(632)
<b>As at 30 June 2016</b>	<b>242</b>	<b>4,322</b>	<b>3,927</b>	<b>39,255</b>	<b>47,746</b>
Additions	-	57	11	-	68
Disposals	-	-	(1,817)	-	(1,817)
Transferred to assets held for sale	-	-	-	-	-
<b>As at 30 June 2017</b>	<b>242</b>	<b>4,379</b>	<b>2,121</b>	<b>39,255</b>	<b>45,997</b>
<b>Depreciation and impairment</b>					
<b>As at 1 July 2015</b>	200	552	3,532	-	4,284
Amortisation	-	214	211	-	425
Disposals	-	-	-	-	-
Impairment	-	124	-	-	124
Transferred to assets held for sale	-	(210)	-	-	(210)
<b>As at 30 June 2016</b>	<b>200</b>	<b>680</b>	<b>3,743</b>	<b>-</b>	<b>4,623</b>
Amortisation	-	131	112	-	243
Disposals	-	-	(1,812)	-	(1,812)
Impairment	-	-	-	-	-
<b>As at 30 June 2017</b>	<b>200</b>	<b>811</b>	<b>2,043</b>	<b>-</b>	<b>3,054</b>
<b>Net Book Value</b>					
<b>As at 30 June 2016</b>	<b>42</b>	<b>3,642</b>	<b>184</b>	<b>39,255</b>	<b>43,123</b>
<b>As at 30 June 2017</b>	<b>42</b>	<b>3,568</b>	<b>78</b>	<b>39,255</b>	<b>42,943</b>

### Goodwill

Goodwill resulted from the acquisition of The New Zealand King Salmon Co Limited and is subject to annual impairment testing. The Group performs an annual impairment test in June each year and reviews for indications of impairment biannually. The Group considers the relationship between its market capitalisation and its book value, among other indicators, when reviewing for indicators of impairment.

The goodwill is allocated to The New Zealand King Salmon Co Limited's cash generating unit. The recoverable amount of the cash generating unit has been determined based on a value in use calculation using future estimated cash flows, capital expenditure and changes in working capital over a five year period, plus an estimated terminal value. The forecasts were based on actual results and expected future use of water space licences currently held, before fair value adjustments to biological assets. The growth rate used to estimate the cash flows of the unit beyond the five-year period is 3.5% p.a. based on treasury GDP forecasts (2016: 2.9% p.a.). A discount rate of 11.1% p.a. (2016: 10.4% p.a.) has been applied to discount future estimated cash flows to their present value. The net present value of these future estimated cash flows exceeds the carrying amount of goodwill therefore the Company has concluded that there is no impairment to the goodwill.

The calculation of value in use is most sensitive to changes in sales prices, exchange rates, sales volumes and fish performance. Reasonably probable changes in the assumptions used would not cause the carrying value of goodwill to exceed the recoverable amount.

### Trade marks

Trademarks are externally acquired and are carried at cost less impairment. They have indefinite useful lives and are assessed annually for impairment and reviewed for indications of impairment biannually. No impairment has been recognised during the period (2016: nil).

## 18. NON-CURRENT ASSETS HELD FOR SALE

	2017	2016
	\$000	\$000
<b>Non-current assets held for sale</b>		
Marine licences held for sale	421	421
<b>Total non-current assets held for sale</b>	<b>421</b>	<b>421</b>

### Marine license held for sale

The Ministry of Primary Industries initiated a process which may result in a swap of the licence to operate a currently unused farm for alternative water space. The process is currently under the control of the Marlborough Salmon Farm Relocations Advisory Panel, who make a recommendation to Central Government to decide the outcome of the process. The carrying value of the licence less costs to sell is considered to be fully recoverable in the event of either a swap or sale.

## 19. INTEREST BEARING LOANS AND BORROWINGS

	2017	2016
	\$000	\$000
<b>Current interest bearing loans and borrowings</b>		
Finance lease liabilities	144	66
Secured bank loans	-	19,000
Other borrowings	270	260
<b>Total current interest bearing loans and borrowings</b>	<b>414</b>	<b>19,326</b>
<b>Non-current interest bearing loans and borrowings</b>		
Finance lease liabilities	124	163
Secured bank loans	10,000	-
Other borrowings	-	-
<b>Total non-current interest bearing loans and borrowings</b>	<b>10,124</b>	<b>163</b>

The Company has facilities with BNZ for \$30m, secured by a general security deed over the assets of the Group. The expiry date of facility A of \$18m is 25 November 2020, and facility B of \$12m expires on 18 October 2019. At balance date \$10m of facility A was drawn (June 2016: \$19m).

## 20. TRADE AND OTHER PAYABLES

	2017	2016
	\$000	\$000
<b>Trade and other payables</b>		
Trade payables	11,318	12,213
Other payables	1,964	3,203
<b>Total trade and other payables</b>	<b>13,282</b>	<b>15,416</b>

## 21. EMPLOYEE BENEFITS

	2017	2016
	\$000	\$000
<b>Current employee benefits</b>		
Bonuses	903	530
Employee annual and sick leave benefits	1,956	1,689
Long service leave	169	165
<b>Total current employee benefits</b>	<b>3,028</b>	<b>2,384</b>
<b>Non-current employee benefits</b>		
Long service leave	451	465
<b>Total non-current employee benefits</b>	<b>451</b>	<b>465</b>

### Long service leave

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

## 22. COMMITMENTS AND CONTINGENCIES

### Operating leases

The Group has entered into various operating lease arrangements with providers of premises, vehicles, water space and equipment. Many of these arrangements are for specified terms with rights of renewal on expiry of the terms. The commitments under non-cancellable operating leases take into account the renewal periods existing at balance date and are as follows:

	2017	2016
	\$000	\$000
<b>Operating lease commitments as a lessee</b>		
Less than one year	607	669
Between one and five years	948	989
More than five years	722	772
<b>Total operating lease commitments as a lessee</b>	<b>2,277</b>	<b>2,430</b>

### Finance leases

The Group has finance leases for various items of plant and machinery. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments	Present value of payments
	\$000	\$000
<b>Finance lease commitments as at 30 June 2017</b>		
Less than one year	143	125
Between one and five years	124	108
<b>Total finance lease commitments as at 30 June 2017</b>	<b>267</b>	<b>233</b>

### Finance lease commitments as at 30 June 2016

Less than one year	66	66
Between one and five years	163	149
<b>Total finance lease commitments as at 30 June 2016</b>	<b>229</b>	<b>215</b>

### Capital commitments

The Group has entered into an agreement to purchase plant and equipment. As at 30 June 2017 the total commitment is \$1,137k (2016: \$508k) which includes \$995k contract to build a new feed barge.

### Contingencies

The Group has a contingent liability of \$995k 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 (2016: \$840k).

### Guarantees

The Group has four guarantee facilities totalling \$316k.

## 23. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group uses derivative financial instruments to hedge certain risk exposures. Financial risk management is the responsibility of the Chief Financial Officer in accordance with the Treasury Policy approved by the Board of Directors. In addition, the Group has a Treasury Committee, a sub-committee of the Board that oversees financial risk management.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises of two key types of risks; currency and interest rate risk.

### Currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currency, arising primarily from normal trading activities, but also from the net investment in the foreign subsidiary.

The Group manages its foreign currency risk by hedging its future exposure in respect of its import purchases and its export sales, over a maximum of four years, when exposures are considered highly probable. The Group hedges this exposure with the use of forward foreign exchange contracts and options. The notional contract amounts of forward foreign exchange contracts and options outstanding at balance date were \$57,636k on the import side (2016: \$67,132k) and \$79,293k on the export side (2016: \$43,476k), for delivery over the next four financial years, in line with anticipated payment dates.

The Group imports feed from Chile and Australia, purchases of which are in US and Australian dollars respectively. In order to protect against exchange rate movements and to manage the inventory costing process, the Group has entered into forward exchange contracts to purchase Australian dollars.

The Group exports salmon to many countries, the major ones being Australia, Japan and the United States, sales are denominated in Australian dollars, Japanese yen and US dollars respectively. The Group has entered into forward exchange contracts to sell Yen and US dollars.

The cash flows are expected to occur up to 45 months from 1 July 2017. The profit or loss within cost of sales will be affected as sales are made.

The Group tests each of the designated cash flow hedges for effectiveness on a monthly basis both retrospectively and prospectively using the ratio offset method. If the testing falls within the 80%:125% range, the hedge is considered highly effective and continues to be designated as a cash flow hedge. At balance date all foreign currency hedges were determined to be highly effective.

The NZ dollar equivalent of un-hedged currency risk on assets at balance date is \$220k (2016: \$70k) whilst the NZ dollar equivalent of un-hedged currency risk on liabilities at balance date is \$86k (2016: \$4k).

#### Currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the value of the New Zealand Dollar against the key currencies to which the Group is exposed. The impact on the Group's pre-tax profit is the result of a change in fair value of monetary assets and liabilities. The impact on the Group's equity is due to changes in the fair value of forward exchange contracts and options designated as cash flow hedges.

	Equity \$000	Profit \$000
<b>As at 30 June 2017</b>		
Impact of a 5% strengthening of the NZD	94	(32)
Impact of a 5% weakening of the NZD	(151)	29
Impact of a 10% strengthening of the NZD	150	(68)
Impact of a 10% weakening of the NZD	(346)	56
<b>As at 30 June 2016</b>		
Impact of a 5% strengthening of the NZD	913	(3)
Impact of a 5% weakening of the NZD	(1,097)	3
Impact of a 10% strengthening of the NZD	1,702	(7)
Impact of a 10% weakening of the NZD	(2,413)	7

#### Interest rate risk

The Group has exposure to interest rate risk that arises mainly due to the Groups long term debt obligations with floating interest rates. Interest earned on call deposits are based on the current interest rate. Interest rate swaps are used to manage interest rate risk. The amount of Parent borrowing covered using swaps at balance date was \$10m (2016: \$19m).

The Group manages its interest rate risk by hedging its future exposure with interest swaps, fixing a minimum of 50% of a rolling 12 month projected debt balance. Longer dated periods may be covered with forward starting swaps out to a maximum of 10 years.

Interest rate swaps in place at balance date cover 100% (2016: 100%) of the principal outstanding and are timed to expire in the next three to forty-two months. Forward starting swaps have been used to further extend maturities out to 2024 (\$10m). The fixed interest rates for the existing swaps range between 3.4% and 4.75% (2016: 3.4% and 4.75%) and the floating rate of 1.93% is aligned to the floating quarterly bank bill rate. The loss on interest rate swaps at balance date was \$986k (2016: \$2,007k loss), which has been taken to reserves.

#### Interest rate sensitivity

The following table demonstrates the sensitivity of the fair value of the interest rate swaps to a reasonably possible change in interest rates:

	2017 \$000	2016 \$000
Impact of an increase of 50 basis points	319	525
Impact of a decrease of 50 basis points	(334)	(547)

### Credit risk

Credit risk is the risk of financial loss that arises if a counterparty to a financial instrument does not meet its contractual obligations. Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, trade receivables, derivative financial instruments and financial guarantees.

Financial instruments are only entered into with banks that have in place an executed International Swaps and Derivatives Association (ISDA) Master Agreement with the Group.

Maximum exposures to credit risk as at balance date are:

	2017 \$000	2016 \$000
Cash and short term deposits	10,647	2,419
Trade and other receivables	11,688	10,229
Derivative financial assets/(liabilities)	45	225

The above maximum exposures are net of any recognised provision for losses. No collateral is held on the above amounts.

### Concentrations of credit risk

Bank balances are maintained with several banks but mainly with Bank of New Zealand Limited. There is a wide spread of debtors, in terms of size and geographical location within New Zealand and overseas. Concentration of credit risk in trade receivables is not considered significant as the Group's customers operate in different market channels and geographic areas.

### Liquidity risk

The Group performs cash flow forecasting activities on a daily basis to ensure it has sufficient cash to meet operational needs and monitors performance against bank covenants on a monthly basis. Surplus cash is invested in short-term or money market deposits.

Undrawn committed facilities and/or liquid assets are maintained at all times at an amount sufficient to cover the forecast cash payments to employees, suppliers, tax authorities and banking institutions as they fall due.

The following table analyses the contractual and expected cash flows for all financial liabilities:

	Less than one year \$000	Between one and two years \$000	Between two and five years \$000
<b>As at 30 June 2017</b>			
Bank loans	330	371	1,351
Finance lease liabilities	144	80	44
Trade and other payables	13,282	-	-
Financial guarantee contracts	315	315	315
<b>Total non-derivative liabilities</b>	<b>14,071</b>	<b>766</b>	<b>1,710</b>
Forward foreign currency exchange contracts	46,198	34,221	21,171
Forward foreign currency options	5,495	6,620	4,963
Interest swaps	252	245	603
<b>Total derivative liabilities</b>	<b>51,945</b>	<b>41,086</b>	<b>26,737</b>
<b>As at 30 June 2016</b>			
Bank loans	798	1,817	5,293
Development loans	370	3,700	-
Finance lease liabilities	66	66	97
Trade and other payables	15,416	-	-
Financial guarantee contracts	41	41	41
<b>Total non-derivative liabilities</b>	<b>16,691</b>	<b>5,624</b>	<b>5,431</b>
Forward foreign currency exchange contracts	39,404	34,263	21,428
Forward foreign currency options	7,005	1,484	7,023
Interest swaps	342	381	1,128
<b>Total derivative liabilities</b>	<b>46,751</b>	<b>36,128</b>	<b>29,579</b>

## 24. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

	2017	2016
	\$000	\$000
<b>Current derivative financial assets</b>		
Forward exchange contracts	1,776	339
Foreign exchange options	290	187
<b>Total Current derivative financial assets</b>	<b>2,066</b>	<b>526</b>
<b>Non-current derivative financial assets</b>		
Forward exchange contracts	1,882	734
Foreign exchange options	1,314	709
<b>Total Non-current derivative financial assets</b>	<b>3,196</b>	<b>1,443</b>
<b>Current derivative financial liabilities</b>		
Forward exchange contracts	519	1,107
Foreign exchange options	24	27
Interest rate swaps	734	1,185
<b>Total Current derivative financial liabilities</b>	<b>1,277</b>	<b>2,319</b>
<b>Non-current derivative financial liabilities</b>		
Forward exchange contracts	451	1,319
Foreign exchange options	307	634
Interest rate swaps	190	822
<b>Total non-current derivative financial liabilities</b>	<b>948</b>	<b>2,775</b>

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

	As at 30 June 2017		As at 30 June 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$000	\$000	\$000	\$000
Obligations under finance leases	267	233	229	215
<b>Total obligations under finance leases</b>	<b>267</b>	<b>233</b>	<b>229</b>	<b>215</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.

## 25. CAPITAL MANAGEMENT

### Group capital

The capital of the Group consists of share capital, reserves and retained earnings. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In addition to this the Group aims to ensure that it meets financial covenants attached to the interest bearing loans and borrowings that define capital structure requirements. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current period.



In order to maintain or adjust the capital structure the Group may adjust dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 26. CAPITAL AND RESERVES

Share capital	2017	2016
<b>Issued shares</b>	<b>000</b>	<b>000</b>
Ordinary shares	138,158	25,268
<b>Total issued shares</b>	<b>138,158</b>	<b>25,268</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. Dividends paid during the year consisted of a fully imputed dividend of \$0.02 per share paid on 24 March 2017 (2016: nil).

	# of Shares		Share Capital	
	2017	2016	2017	2016
<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>	25,295	25,268	25,296	25,296
Shareholder loans converted to share capital	26,941	-	70,202	-
Shares issued by way of 2.11 to 1 share split	57,955	-	-	-
Issue of new shares pursuant to IPO	26,786	-	30,000	-
Transactional costs arising on share issue	-	-	(1,797)	-
Employee offer pursuant to IPO	1,181	-	1,322	-
Share issue for employee share scheme	-	-	(2,505)	-
<b>Total share capital as at 30 June</b>	<b>138,158</b>	<b>25,268</b>	<b>122,518</b>	<b>25,296</b>

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

### Reserves

#### Foreign currency translation reserve

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

#### Hedge reserve

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

#### Share based payment reserve

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

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

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

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

The estimated value of share options was determined using the Black-Scholes pricing calculator and is being amortised over the respective restrictive periods. The option cost is treated as an employee expense with the corresponding credit included in the share based payment reserve. The inputs into the option pricing valuation model are the acquisition or granting date share price of \$1.12 (which accordingly is the option exercise price), expected share price volatility of 14.1%, option life relative to each respective vesting or escrow period and a risk free interest rate of 2.1%.

#### Retained earnings

Retained earnings represents the profits retained in the business.

## 27. EVENTS AFTER BALANCE DATE

The Ministry of Primary Industries initiated a process which may result in a swap of certain water space licences for alternative water space which remains ongoing at the date of completing these financial statements. The process is currently under the control of the Marlborough Salmon Farm Relocations Advisory Panel, who will be making a recommendation to central Government. Central Government will then decide the outcome of the process. The outcome of this process could create significant changes to the Group's operations in the future.

	2017	2016
	\$000	\$000
<b>Dividends declared after balance date:</b>		
Final cash dividend of 2.00 cents per share	2,763	-
Special dividend of 1.00 cents per share	1,382	-
	<b>4,145</b>	<b>-</b>

The final and special fully imputed dividends on ordinary shares were approved on 24 August 2017 for payment on 18 September 2017. These dividends are not recognised as a liability as at 30 June 2017.

## 28. RELATED PARTY DISCLOSURES

### Subsidiaries

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

<i>Subsidiary</i>	<i>Company of Incorporation</i>	<i>Equity Interest</i>
The New Zealand King Salmon Co Limited	New Zealand	100%
The New Zealand King Salmon Pty Limited	Australia	100%

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

At balance date Oregon Group Limited owned 40.3% (30 June 2016: 50.9%) 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:

	2017	2016
	\$000	\$000
<b>Related party payments</b>		
Interest paid - Oregon Group Limited	272	2,062
Interest paid - Other shareholders	194	1,477
Good and services purchased from other related parties	258	87
<b>Total related party payments</b>	<b>724</b>	<b>3,626</b>
<b>Related party sales</b>		
Goods and services sold to related parties	(462)	-
<b>Total related party sales</b>	<b>(462)</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.

<b>Amounts owing to related parties</b>	<b>2017</b>	<b>2016</b>
<b>Current amounts owing to related parties</b>	<b>\$000</b>	<b>\$000</b>
Amounts advanced by shareholders of NZKS Custodian Ltd	-	4,427
Shareholders' loans	-	53,826
Shareholder advance repayable on demand	-	15,765
Accrued interest on shareholders' loans	-	3,523
Other amounts owing to related parties	18	-
<b>Total current amounts owing to related parties</b>	<b>18</b>	<b>77,541</b>
<b>Non-current amounts owing to related parties</b>		
Shareholders' loans	-	2,757
<b>Total non-current amounts owing to related parties</b>	<b>-</b>	<b>2,757</b>

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

<b>Amounts owing by related parties</b>	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Shareholders' loans	-	2,757
Amounts owing by related parties	94	-
<b>Total amounts owing by related parties</b>	<b>94</b>	<b>2,757</b>
<b>Compensation of key management personnel of the Group</b>	<b>2017</b>	<b>2016</b>
<b>Key management personnel compensation</b>	<b>\$000</b>	<b>\$000</b>
Short-term employee benefits	2,159	1,809
Share based payment expense	112	-
Post employment pension and medical benefits	108	53
<b>Total key management personnel compensation</b>	<b>2,379</b>	<b>1,862</b>

## 29. AUDITORS REMUNERATION

<b>Auditors remuneration</b>	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Audit fees	95	115
Other assurance	45	-
Tax advisory	88	120
Transaction advisory services	175	376
<b>Total auditors remuneration</b>	<b>403</b>	<b>611</b>

Other assurance services include the review of the interim financial statements and agreed upon procedures over sustainability data. Transactional advisory services relates to work performed as investigating accountant in connection with the public offer of shares in the Company.

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

	2017	2016
	\$000	\$000
<b>Reconciliation of the profit for the year with the net cash from operating activities</b>		
Profit before tax	32,365	3,385
<i>Adjusted for</i>		
Depreciation and amortisation	4,366	4,243
(Gain)/loss on sale of assets	(29)	(9)
Impairment of fixed assets	-	913
Impairment of intangibles	-	124
Loss on disposals of assets	182	-
Share-based payments	142	-
Net foreign exchange differences	(70)	(120)
Capitalised interest on shareholder loans	389	3,482
Fair value adjustment to shareholder loans	-	(186)
Movement in prepaid insurances and other loans	(112)	(33)
Income tax expense	(9,601)	(792)
(Increase) in deferred tax on reserves	(1,700)	843
(Increase)/decrease in trade and other receivables and prepayments	(1,458)	(1,561)
(Increase)/decrease in inventories and biological assets	(25,948)	(10,889)
Increase/(decrease) in trade and other payables	(1,503)	5,695
Increase/(decrease) in tax liabilities	8,307	(1,045)
<b>Net cash flow from operating activities</b>	<b>5,330</b>	<b>4,050</b>

### 31. COMPARISON TO PROSPECTIVE FINANCIAL STATEMENTS

	Actual 2017	Prospective 2017
	\$000	\$000
<b>a. Revenue</b>	136,351	130,079
Cost of goods sold	(119,879)	(117,803)
Fair value gain on biological transformation	54,845	41,342
Freight costs to market	(13,360)	(12,040)
<b>Gross profit</b>	<b>57,957</b>	<b>41,578</b>
Other operating income	2,574	-
Sales, marketing and advertising expenses	(8,748)	(8,838)
Distribution overheads	(2,993)	(1,893)
Corporate expenses	(7,261)	(6,764)
Other expenses	(2,996)	(2,984)
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>38,533</b>	<b>21,099</b>
Depreciation and amortisation	(4,366)	(4,776)
Asset Impairment	-	-
Finance income	188	377
Finance expenses	(1,990)	(1,441)
<b>Profit before tax</b>	<b>32,365</b>	<b>15,259</b>
Income tax expense	(9,601)	(5,136)
<b>Net profit after tax</b>	<b>22,764</b>	<b>10,123</b>

#### Explanation of variances

The fair value gain on biological transformation is higher than the prospective financial information (PFI) due to increases in sales price, fish numbers and average fish weight (see note 15). Gross profit is also higher than PFI due to higher sales volumes and price increases. Other operating income primarily relates to supplier and insurance settlements not included in PFI.

**b. Prospective statement of financial position**

	<b>Actual</b>	<b>Prospective</b>
	<b>2017</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	10,647	5,489
Trade and other receivables	11,688	11,407
Inventories	16,674	18,515
Biological assets	68,556	56,936
Assets held for sale	421	421
Other financial assets	-	1,475
Derivative financial assets	2,066	141
<b>Total current assets</b>	<b>110,052</b>	<b>94,384</b>
<b>Non-current assets</b>		
Property, plant and equipment	35,726	38,854
Biological assets	10,960	9,781
Derivative financial assets	3,196	96
Deferred tax asset	1,636	1,423
Intangible assets	3,687	3,411
Goodwill	39,255	39,255
<b>Total non-current assets</b>	<b>94,460</b>	<b>92,820</b>
<b>TOTAL ASSETS</b>	<b>204,512</b>	<b>187,204</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	13,282	18,535
Employee benefits	3,028	2,204
Borrowings	414	252
Shareholder loans	-	-
Other financial liabilities	18	-
Derivative financial liabilities	1,277	428
Taxation payable	2,285	580
<b>Total current liabilities</b>	<b>20,304</b>	<b>21,999</b>
<b>Non-current liabilities</b>		
Employee benefits	451	465
Borrowings	10,124	10,126
Deferred tax liabilities	14,010	9,005
Derivative financial liabilities	948	992
<b>Total non-current liabilities</b>	<b>25,533</b>	<b>20,588</b>
<b>TOTAL LIABILITIES</b>	<b>45,837</b>	<b>42,587</b>
<b>NET ASSETS</b>	<b>158,675</b>	<b>144,617</b>
<b>EQUITY</b>		
Share capital	122,518	123,334
Reserves	1,795	(780)
Retained earnings	34,362	22,063
<b>TOTAL EQUITY</b>	<b>158,675</b>	<b>144,617</b>

**Explanation of variances**

Cash and cash equivalents are up on PFI due to the receipt of a feed supplier settlement and also as capital expenditure is lower than forecast in PFI (timing of capital expenditure due to timing of IPO). This coupled with a significant increase in the value of biological assets (due to increases in gross margin and average size at balance sheet date) have led to a significant increase in net assets. Trade and other payables are lower than PFI due to capital expenditure below forecast and also timing of feed purchases and other creditor payments. Derivative financial assets and liabilities were revalued at year end. Deferred tax liabilities were greater than PFI as a result of a combination of these factors.

### c. Prospective statement of changes in equity

	Actual 2017 \$000	Prospective 2017 \$000
<b>Balance at beginning of period</b>	<b>37,014</b>	<b>37,014</b>
Capitalisation of shareholder loans to equity	68,914	69,890
Issue of shares	30,105	30,000
Capitalisation of offer costs	(1,797)	(1,275)
Change in other reserves	4,517	1,365
Total profit for the period	22,764	10,123
Dividends paid	(2,842)	(2,500)
<b>Balance at End of Year</b>	<b>158,675</b>	<b>144,617</b>
<b>Equity breakdown by component</b>		
Share capital	122,518	123,334
Reserves	1,795	(780)
Retained earnings	34,362	22,063
<b>Total equity</b>	<b>158,675</b>	<b>144,617</b>

#### Explanation of variances

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

#### d. Prospective statement of cash flows

	<b>Actual 2017 \$000</b>	<b>Prospective 2017 \$000</b>
<b>Operating Activities</b>		
Receipts from customers	135,163	128,910
Payments to suppliers and employees	(127,696)	(117,897)
Interest received	181	-
Interest paid	(1,317)	(1,064)
Feed supplier settlement	1,998	-
Income tax paid	(2,999)	(3,327)
<b>Net cash flows from operating activities</b>	<b>5,330</b>	<b>6,622</b>
<b>Investing Activities</b>		
Proceeds from sale of property, plant and equipment	29	-
Purchase of property, plant and equipment	(7,449)	(10,584)
Purchase of intangible assets	(48)	-
<b>Net cash flow from investing activities</b>	<b>(7,468)</b>	<b>(10,584)</b>
<b>Financing Activities</b>		
Repayment of revolving loan	(8,876)	(9,000)
Government grants received	110	-
Gross proceeds from share issue	30,105	30,000
Transaction costs arising from share issue	(1,797)	(5,100)
Proceeds from shareholder advances	1,402	1,283
Repayment of shareholder advances	(7,651)	(7,651)
Payment of finance lease liabilities	(85)	-
Payment of dividends	(2,842)	(2,500)
<b>Net cash flows from financing activities</b>	<b>10,366</b>	<b>7,032</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,228</b>	<b>3,070</b>
<b>Cash and cash equivalents at 1 July</b>	<b>2,419</b>	<b>2,419</b>
<b>Cash and cash equivalents at 30 June</b>	<b>10,647</b>	<b>5,489</b>

#### Explanation of variances

Payments to suppliers and employees were up on PFI as a result of an increase in feed purchases and changes to the timing associated with payments of these and other purchases. Feed supplier settlement relates to a one-off payment received from a supplier. Share issue related transaction costs have been split between payments to suppliers and employees \$2,811k and transaction costs arising from share issue \$1,797k (total \$4,608k).

# INDEPENDENT AUDITOR'S REPORT



Chartered Accountants

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of New Zealand King Salmon Investments Limited ("the company") and its subsidiaries (together "the group") on pages 58 to 87, which comprise the consolidated statement of financial position of the group as at 30 June 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 58 to 87 present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2017 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

#### Basis for Opinion

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

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

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

We were engaged as investigating accountant in connection with the public offer of shares in the company. We provide taxation advice to the company and have performed other assurance services including review of the interim financial statements and performance of agreed upon procedures on sustainability information of the group. Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

#### Key Audit Matters

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

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

A member firm of Ernst & Young Global Limited





## 1. VALUATION AND EXISTENCE OF BIOLOGICAL ASSETS

### Why significant

At 30 June 2017, the consolidated statement of financial position includes biological assets (live salmon) of \$79.5 million with a biomass of 6,227 metric tonne of live salmon measured at fair value less costs to sell. This includes a fair value increase above cost of \$34.4 million in the carrying amount.

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

- » existence and live weight of biological assets;
- » future sales product mix;
- » forecast sales volumes and prices;
- » costs to harvest date and sale;
- » period end and future biomass growth to harvest;
- » future fish mortalities; and
- » proportionate recognition of estimated future gross margin on salmon at sea farms.

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

### How our audit addressed the key audit matter

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

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

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

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



## 2. GOODWILL IMPAIRMENT ASSESSMENT

### Why significant

At 30 June 2017, the consolidated statement of financial position includes goodwill acquired in business combinations of \$39.3 million, assigned to one cash generating unit (CGU).

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

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

### How our audit addressed the key audit matter

Our approach focused on the following procedures:

- » evaluated the basis of the group's CGU determination;
- » assessed the allocation of goodwill to CGUs;
- » evaluated the appropriateness of key assumptions and their impact on estimated future cash flows;
- » tested the mathematical accuracy of cash flow forecasts;
- » involved our valuation specialists in assessing the discount rates and terminal growth rates applied;
- » agreed inputs used by the company in their model to assess impairment, to board approved budgets, and compared these with historical actual results. We also considered the accuracy of previous internal forecasts;
- » performed sensitivity analyses on key cash flow forecast assumptions, including EBITDA, WACC and capital expenditure levels, to understand the impact of reasonably possible changes in key assumptions;
- » compared the calculated recoverable values to the associated carrying amounts, and assessed whether any impairment charges were required; and
- » considered the appropriateness, sufficiency, and clarity of goodwill related disclosures included in the group financial statements.

## 3. VALUATION OF SEA FARM RELATED ASSETS

### Why significant

At 30 June 2017, the consolidated statement of financial position includes sea farm assets recorded within property, plant and equipment of \$19.7m million, and related marine licenses and resource consents recorded within intangible assets and noncurrent assets held for sale of \$3.7 million.

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

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

### How our audit addressed the key audit matter

Our approach focused on the following procedures:

- » considered the group's assessment of compliance with resource consents relating to sea farms;
- » enquired into the status of the Proposal to Amend the Marlborough Sounds Resource Management Plan to enable the relocation of up to six sea farms to higher flow sites;
- » evaluated the appropriateness of key assumptions used by the company in their assessment of indicators of impairment of property, plant and equipment;
- » evaluated the appropriateness of key assumptions used by the company in their determination of remaining useful lives of significant sea farm assets; and
- » considered the appropriateness, sufficiency, and clarity of property, plant and equipment and marine license intangible assets related disclosures included in the group financial statements.



## Information Other than the Financial Statements and Auditor's Report

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

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

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

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

## Directors' Responsibilities for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

A handwritten signature in cursive script that reads 'Ernst &amp; Young'.

Christchurch  
24 August 2017

# CORPORATE GOVERNANCE

**The Board of New Zealand King Salmon Investments Limited (the Company) is committed to ensuring that the Company meets best practice governance principles and maintains the highest ethical standards.**

**The Board of the Company (Board) has agreed to regularly review and assess the Company's governance structures to ensure that they are consistent with best practice.**

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

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

The Board notes that a new version of the NZX Code will be in force from 1 October 2017 and future reporting will be against this updated version of the NZX code. The Board is not expecting to make any material amendments to its corporate governance processes in order to comply with the updated NZX Code.

The full content of the Company's corporate governance policies, practices and procedures can be found in the Company's Corporate Governance Code, which is available on the Company's website; [www.Kingsalmon.co.nz](http://www.Kingsalmon.co.nz). The code was updated in October 2016 and is reviewed annually.

## ETHICAL STANDARDS

### Code of Ethics

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

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

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

The code is subject to annual review by the Board.

### Financial Products Trading Policy and Guidelines

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

All trading by Directors and senior managers (as defined by the Financial Markets Conduct Act 2013) is required to be reported to NZX and recorded in the Company's securities trading register.

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

## BOARD OF DIRECTORS

### Role and Responsibilities of the Board

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

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

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

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

The Board monitors these matters by receiving reports and plans from management and appropriate experts, and by maintaining an active programme of site (including farm) visits. The Board has a statutory obligation to maintain responsibility for certain matters. It also deals directly with issues relating to the Company's mission, appointments to the Board, strategy, business and financial plans.

Details of the Board's role, composition, responsibilities, operation, policies and committees are provided in the Company's Corporate Governance Code, which is available at [www.Kingsalmon.co.nz](http://www.Kingsalmon.co.nz).

### Board Structure

The Board members are appointed based on the skills, experience and background of each Director. The mix of Directors is selected to provide the company with the best knowledge to add value and drive improved business performance.

As at 30 June 2017, the Board is comprised of Directors as detailed below:

#### Independent Non-Executive Directors

---

John Ryder (Chair)

---

Mark Hutton

---

Paul Steere

#### Non-Executive Directors

---

Jack Porus (as a representative of Oregon Group Limited)

---

Thomas Song (as a representative of Oregon Group Limited)

---

Xin Wang (as a representative of China Resources Ng Fung Limited)

#### Executive Director

---

Grant Rosewarne

A biography of each Director is set out on pages 52–53 of this Annual Report.

## Director Independence

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

A Director is considered to be independent if a Director is not an executive of New Zealand King Salmon and if the Director has no direct or indirect interest or relationship that could reasonably influence the Director's decisions in relation to the Company.

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

## Interests Register

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

Particulars of entries made in the Interests Register for the year ended 30 June 2017 are included in the Director Disclosures section.

## Board Performance Evaluation

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

The Board is required to assess annually its effectiveness in carrying out its functions and responsibilities. The Chairman of the Board is tasked with ensuring that rigorous, formal processes are in place for evaluating the performance of the Board, Board committees and individual Directors.

## COMMITTEES AND DESCRIPTIONS

The Board has two formally constituted committees: the Nominations and Remuneration Committee and the Audit and Risk Management Committee. Each committee has a charter that sets out its mandate which can be found within the Company's Corporate Governance Code.

### Nominations and Remuneration Committee

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

- » Overseeing remuneration policies and practice.
- » Considering the composition of the Board.
- » Overseeing succession planning and recommending candidates to fill Board vacancies as and when they arise.

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

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

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

The Committee held one meeting during the year ended 30 June 2017. The Committee intends to hold at least two meetings during the period ending 30 June 2018.

### Audit and Risk Management Committee

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

- » Risk management and internal control framework.
- » Financial reporting and auditing processes.
- » Legislative and regulatory compliance.

In particular, the Audit and Risk Management Committee oversees the financial reporting process to ensure the balance, transparency and integrity of published financial statements.

Under the Audit and Risk Management Committee Charter, the Committee shall comprise a majority of independent Directors and at least one Director with an accounting or financial background.

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

The Audit and Risk Management Committee held three meetings during the period ended 30 June 2017 and intends to hold at least four meetings during the period ending 30 June 2018.

## Treasury Committee (Subcommittee)

The Treasury committee is a subcommittee of the Audit and Risk Management Committee with its primary function being:

- » Oversight of treasury activities.
- » Implementation of the funding and treasury risk management policy approved by the Board.

The current members of the Committee are Mark Hutton (Chair), John Ryder, Grant Rosewarne and external expert representation.

The Treasury Committee role is outlined in the Company's Treasury Policy.

## Director Attendances

The table below sets out Director attendance at Board and committee meetings during the year ended 30 June 2017. In total there were ten Board meetings, three Audit and Risk Management Committee meetings and one Nominations and Remuneration Committee meeting.

Director	Board	Audit & Risk Management Committee	Nominations and Remuneration Committee
John Ryder (Chair)	9/10		
Mark Hutton	9/10	3/3	1/1
Jack Porus	8/10		1/1
Thomas Song	8/10	2/3	
Paul Steere	10/10	3/3	1/1
Xin Wang (Appointed 28 February 2017)	2/3		
Tom Sturgess (Resigned 15 July 2016)	0/1		
Grant Rosewarne (Executive Director)	10/10		

*The denominator in the table above is the number of meetings for which each Director was eligible to attend as a Director.*

## REPORTING AND DISCLOSURE

### Financial reporting

The Board is responsible for ensuring the integrity of its financial reporting. As noted above under 'Committees and Descriptions', the Audit and Risk Management Committee monitors financial reporting risks in relation to the preparation of the financial statements. The Audit and Risk Management Committee, with the assistance of management, works to ensure that the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

### Continuous Disclosure Policy

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

### Diversity

The Company recognises the value in diversity and seeks to ensure that the Board and workforce of the Company are as diverse as the community in which we operate.

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

The Board is committed to increasing the level of diversity at Board and executive level where ever possible however no measurable objectives were set for the year ended 30 June 2017. The board is currently reviewing the most appropriate measurable objectives for the year ending 30 June 2018 and will report against its progress in meeting any specific diversity objectives in its 2018 Annual Report.

The gender composition of the Company's Board and Senior Leadership Team (SLT) is as follows:

Position	As at 30 June 2017		As at 30 June 2016	
	Female	Male	Female	Male
Board	1 (14%)	6 (86%)	0 (0%)	7 (100%)
Senior Leadership Team	1 (17%)	5 (83%)	1 (17%)	5 (83%)

## RISK MANAGEMENT

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

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

The Board ultimately has responsibility for compliance and internal control processes. The Audit and Risk Management Committee, in conjunction with management, regularly reports to the Board on the effectiveness of the Company's management of its material business risks and whether the risk management framework and internal controls are operating effectively and efficiently in all material respects. The Company does not have a dedicated internal auditor, with financial controls managed on a day to day basis by the finance team, with oversight from the Audit and Risk Management Committee. Compliance with internal controls is reviewed annually by the Company's auditors.

### Health, Safety and Wellness

The Board and management are committed to promoting a safe and healthy working environment for everyone working in, or interacting with, the Company. The Company strives for continuous improvement that takes us beyond compliance in health, safety and wellness. This includes the reviewing of our health, safety and wellness policy statement as well as the systems and processes that support our safety objectives. The Company's Health, Safety and Wellness Policy creates a shared responsibility for all our team members and contractors to so far as reasonably practicable take all steps in providing a working environment that promotes health and wellbeing. Effective controls based on industry knowledge and best practice guidelines inform and support our risk management across in all areas of the business. The Company uses a combination of leading and lagging performance measures in health and safety. One of these measures is Lost-Time Injury Frequency Rate (LTIFR). Our current LTIFR performance reflects the commitment and effort the business has dedicated to health and safety, with a 34.8% reduction over the last 12 months.

### Independent Professional Advice

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

## AUDITOR INDEPENDENCE

The Company's Audit and Risk Management Committee Charter requires the external auditor to be independent, recognising the importance of facilitating frank dialogue between the Audit and Risk Committee, the auditor and management. The Audit and Risk Management Committee Charter requires that the audit partner is rotated after a maximum of five years.

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

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

The External Auditor Independence Policy is available in the Corporate Governance Code which is available on the Company's website.

## INVESTOR RELATIONS

The Company is committed to maintaining a full and open dialogue with its shareholders. The Company facilitates communication with shareholders through written and electronic communications, and by facilitating shareholder access to Directors, management and the Company's auditors.

The Company provides shareholders with communication through the following channels:

- » The Company's website via the investors centre.
- » The annual report and interim report.
- » The annual shareholders' meeting.
- » Regular disclosures on Company performance and news via the NZX and ASX.
- » Disclosure of presentations provided to analysts and investors during regular briefings.

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



# REMUNERATION REPORT

**This Remuneration Report outlines the Company's overall reward strategy for the year ended 30 June 2017 and provides detailed information on the remuneration arrangements in this period for the Directors of the Company, including the Managing Director, and other nominated executives.**

The Company's Corporate Governance Code was reviewed and updated by the Board in October 2016. Among other policies, the Corporate Governance Code includes the Company's Remuneration Policy, which may be amended from time to time and is reviewed at least once a year.

## REMUNERATION POLICY

The Nominations and Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages for Directors, the Managing Director and nominated executives. The primary objectives of the Remuneration Policy are to provide a competitive and flexible structure that reflects market practice, but is tailored to the specific circumstances of the Company and which reflects each person's duties and responsibilities so as to attract, motivate and retain people of the appropriate quality.

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

## COMPONENTS OF COMPENSATION - NON-EXECUTIVE DIRECTORS

### a. Structure

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

### b. Remuneration

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

No remuneration is payable to non-executive Directors unless it is approved by the Company's shareholders. The NZX Listing Rules specify that shareholders can approve a per Director remuneration amount or an aggregate Directors' fee pool. As disclosed in the PDS, the Company's shareholders at that time approved an aggregate remuneration pool for non-executive Directors of \$400,000 per annum.

The aggregate remuneration paid to non-executive Directors and the manner in which it is apportioned amongst Directors is reviewed annually, with any proposed increase in the aggregate pool put to shareholders for approval at the Company's next Annual Shareholders Meeting. The Board reviews its fees to ensure the Company's non-executive Directors are fairly remunerated for their services, recognising the level of skill and experience required to fulfil the role and to enable the Company to attract and retain talented non-executive Directors. The process involves benchmarking against a group of peer companies.

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

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

Annual fees paid to the non-executive Directors of the Company for the period 1 July 2016 to 30 June 2017 were as follows:

Director	Base Fee	Fees for serving on Committees		Total Base & Committee fees
		Audit & Risk Committee	Nominations and Remuneration Committee	
John Ryder (Chair)	\$82,653	\$0	\$0	\$82,653
Mark Hutton	\$47,541	\$3,493	\$3,493	\$54,527
Jack Porus	\$47,541	\$0	\$1,747	\$49,288
Thomas Song	\$47,541	\$3,493	\$0	\$51,034
Paul Steere	\$47,541	\$6,986	\$1,747	\$56,274
Xin Wang (Appointed as Director 28 February 2017)	\$18,534	\$0	\$0	\$18,534
Tom Sturgess (Resigned as Chair and Director 15 July 2016)	\$2,205	\$0	\$0	\$2,205

Notes:

1. Jack Porus and Paul Steere also received fees during the year of \$30,000 and \$20,000 respectively for additional work required in preparation for the share offer, these additional fees are not included in the figures in the table above or in the annual pool of Director's fees that apply from listing.
2. Direct Capital Management Limited, of which Mark Hutton is a Director, received \$75,000 for work required by its Directors and executives in preparation for the share offer.

## Remuneration of Managing Director and Executives

The number of employees of the Company (including former employees), not being Directors, who received remuneration and other benefits in excess of \$100,000 in the period 1 July 2016 to 30 June 2017 is set out in the remuneration bands detailed below:

Remuneration	Employees
\$100,000 to \$109,999	5
\$110,000 to \$119,999	3
\$120,000 to \$129,999	7
\$130,000 to \$139,999	3
\$140,000 to \$149,999	4
\$150,000 to \$159,999	3
\$170,000 to \$179,999	1
\$220,000 to \$229,999	1
\$230,000 to \$239,999	1
\$240,000 to \$249,999	1
\$300,000 to \$309,999	1
\$440,000 to \$449,999	1
\$490,000 to \$499,999	1

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

As set out in further detail below, the total remuneration and value of other benefits paid to the Managing Director (including under the STI Scheme and LTI Scheme detailed below) for the year ended 30 June 2017 was \$764,028 (2016: \$523,287).

## COMPONENTS OF COMPENSATION – MANAGING DIRECTOR AND OTHER NOMINATED EXECUTIVES

### a. Structure

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

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

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

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

The remuneration packages for the Managing Director and nominated executives are all subject to Board approval.

### **i) Fixed annual remuneration**

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

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

For the financial year ended 30 June 2017, the Managing Director received \$512,371 in fixed annual remuneration. By comparison, the Managing Director received \$491,025 in fixed annual remuneration for the financial year ended 30 June 2016.

### **ii) Variable remuneration – STI Scheme**

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

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

In future the targets may include a weighted combination of:

- » At least 60% for meeting budget or target Underlying Net Profit after Tax for the Group.
- » Up to 30% for meeting budget or target Underlying Net Profit after Tax and/or Return on Capital Employed for the group or a business unit.
- » Any balance for strategic objectives and other contributions.

The Nominations and Remuneration Committee considers the performance against the targets and determines the amount, if any, to be allocated to the Managing Director and nominated executives. STI Scheme payments relating to the financial year ended 30 June 2017 are delivered as a taxable cash bonus and are payable on completion of the annual audited financial statements.

It should be noted that the level of remuneration detailed in this report for the Managing Director includes the STI bonus actually paid in 2017 relating to performance in the 2016 financial year. The total cost for the Managing Director and other nominated executives of the STI Scheme for 2016 was \$297,000 and the total accrual for 2017 is \$412,249.

The Managing Director received \$86,919 in STI Scheme payments in 2017 relating to performance in the 2016 financial year and the total accrual for 2017 is \$115,697.

STI Scheme payment values are set as a percentage of base cash remuneration, being 30% for the Managing Director and 25% for the other nominated executives for the financial year ended 30 June 2017. For the financial year ended 30 June 2017, there were six executives in the STI Scheme, unchanged from the 2016 year.

In addition to the STI Scheme, the Board reserves the ability to pay ad hoc bonus payments to any employee, again either directly related to the trading outcome or a specific performance target. For the financial year ended 30 June 2017, \$192,000 of ad hoc bonuses were paid to the Managing Director and three other nominated executives for additional work required in preparation for the share offer, of which the Managing Director received \$87,000 (2016: nil).

### **iii) Variable remuneration – LTI Scheme**

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

- » Align the Managing Director and nominated executives' interests with those of shareholders.
- » Help provide a long term focus.
- » Retain high calibre senior employees by providing an attractive equity-based incentive that builds an ownership of the Company mindset.

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

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

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

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

LTI Scheme loan amounts are set as a percentage of base cash remuneration, being 30% for the Managing Director and between 5.0% and 20% for other nominated executives in respect of the financial year ended 30 June 2017. For the financial year ended 30 June 2017, there were 24 nominated executives in the LTI Scheme, an increase of 17 from the 2016 year.

If performance hurdles are achieved a further 270,274 shares will be issued under LTI Scheme relating to the financial year ended 30 June 2017. The Managing Director's entitlement is for 94,833 shares.

The total cost of the LTI Scheme relating to the 2016 year share allocation was \$nil.

#### iv) Senior Executive Share Ownership Scheme

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

#### Shares held by the Managing Director and nominated executives

The total shares allocated under the Senior Executive Share Ownership Scheme and LTI Scheme and Ownership Scheme as at 30 June 2017 are as follows:

Scheme	Allocation Date	Vesting Date	Number of Shares				Balance at the end of the year
			Balance at start of year	Granted during the year	Vested during the year	Lapsed during the year	
Senior Executive Share Ownership Scheme	21 September 2016	27 August 2018	-	3,176,878	-	-	3,176,878
LTI Scheme	19 October 2016	19 October 2019	-	993,671	-	-	993,671
			-	<b>4,170,549</b>	-	-	<b>4,170,549</b>

It should be noted under the relevant accounting standards the loans granted to participants in both the Executive Share Ownership Scheme and LTI Scheme participants are not recorded on the company balance sheet.

As at the end of the financial year ended 30 June 2017, the total balance owing under the loans advanced to the Managing Director under the Senior Executive Share Ownership Scheme and the LTI Schemes was \$1,040,197.

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

The total expense recorded in the Statement of Comprehensive Income for the financial year ended 30 June 2017 is \$142,206 including \$77,738 incurred for the Managing Director.

#### Employee Share Ownership Scheme

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

A total of 187,076 shares were issued at the time.

# DIRECTOR DISCLOSURES

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

	John Ryder	Mark Hutton	Jack Porus	Thomas Song	Paul Steere	Xin Wang*	Tom Sturgess**	Grant Rosewarne	Justin Reynolds
New Zealand King Salmon Investments Limited	✓	✓	✓	✓	✓	✓	✓	✓	
King Salmon Limited					✓			✓	
MacCure Seafoods Limited					✓			✓	
NZKS Custodian Limited	✓	✓	✓	✓	✓		✓		
Omega Innovations Limited					✓			✓	
Ora King Limited					✓			✓	
Regal Salmon Limited					✓			✓	
Southern Ocean Salmon Limited					✓			✓	
Southern Ocean Seafoods Limited					✓			✓	
The New Zealand King Salmon Co. Limited	✓	✓	✓	✓	✓		✓	✓	
The New Zealand King Salmon Pty Limited					✓			✓	✓

\* Xin Wang was appointed as a Director on the 28 February 2017.

\*\* Tom Sturgess resigned from all Directorships on the 15 July 2016.

## INTERESTS REGISTER

The following entries were made in the interests register of the Company during the year ended 30 June 2017:

### Share Dealings by Directors

Dealings by Directors and key senior managers during the year ended 30 June 2017 as entered in the Interest Register of the Company are as follows:

Name of Director / Senior Executive	No. of Shares	Nature of Interest	Acquisition / Disposal	Consideration	Date
John Ryder (Chair)	625,000	Beneficial owner	Acquisition	\$1.12 per share	19 October 2016
Mark Hutton	500,000	Indirect interest	Acquisition	\$1.12 per share	19 October 2016
Jack Porus	267,857	Beneficial Owner	Acquisition	\$1.12 per share	19 October 2016
Grant Rosewarne	389,237	Beneficial Owner	Acquisition	\$1.12 per share	19 October 2016
Grant Rosewarne	40,000	Beneficial Owner	Acquisition	\$1.24 per share	28 December 2016
Grant Rosewarne	36,375	Beneficial Owner	Acquisition	\$1.37 per share	6 March 2017
Andrew Clark	108,298	Beneficial Owner	Acquisition	\$1.12 per share	19 October 2016
Andrew Clark	14,650	Beneficial Owner	Acquisition	\$1.36 per share	7 March 2017
Ruben Alvarez	189,708	Beneficial Owner	Acquisition	\$1.12 per share	19 October 2016

## Disclosure of interest in the Interests Register

Details of Directors disclosures entered in the interests register for the Company as at 30 June 2017 were as follows:

Director	Name of Interest	Nature of Interest
<b>John Ryder (Chair)</b>	Direct Capital V Management Limited	Director
<b>Mark Hutton</b>	Direct Capital IV Investments Limited	Director and Indirect Shareholder
	Direct Capital V Management Limited	Director
	Sirius Capital Investments Limited	Director
	Scales Corporation Limited	Director and Shareholder
<b>Jack Porus</b>	Glaister Ennor	Partner
<b>Thomas Song</b>	Oregon Group Limited (and subsidiaries)	Director
<b>Paul Steere</b>	Clean Seas Seafood Pty Ltd, South Australia (ASX Listed)	Director
	Nelson Airport Limited	Chairman
	Nelson Marlborough Institute of Technology	Councillor
	Allan Scott Wines	Chairman
	Kaynemaile Limited	Chairman
<b>Xin Wang</b>	China Resources Ng Fung Limited (and subsidiaries)	Director
<b>Grant Rosewarne</b>	Aquaculture New Zealand	Director

## Relevant Interests

The table below records the ordinary shares in which Directors had a relevant interest as at 30 June 2017.

Name of Director	Number of ordinary shares Beneficial	Number of ordinary shares Non-Beneficial
<b>John Ryder (Chair)</b>	2,019,644	-
<b>Mark Hutton</b>	-	500,000
<b>Jack Porus</b>	372,457	-
<b>Paul Steere</b>	734,838	-
<b>Grant Rosewarne</b>	2,402,782	-

Neither Thomas Song or Xin Wang held any relevant interests (beneficial or non-beneficial) as at 30 June 2017.

## Use of Company Information by Directors

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

## Directors Liability

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

## Shareholder Information

As at 30 June 2017 there were 138,157,843 ordinary shares on issue in the Company, each conferring on the registered holder the right to vote on any resolution at a meeting of shareholders, held as follows:

Size of Holding	Number of Shareholders	%	Number of Shares	%
1 - 4,999	802	44.93	2,033,464	1.47
5,000 - 9,999	356	19.94	2,462,523	1.78
10,000 - 49,999	508	28.46	9,255,557	6.70
50,000 - 99,999	43	2.41	2,733,479	1.98
100,000 - 499,999	51	2.86	11,253,765	8.15
Over 500,000	25	1.40	110,419,055	79.92

## 20 Largest Shareholders

Set out below are details of the 20 largest shareholders of the Company as at 30 June 2017:

Shareholder	Number of Shares	% of shares
Oregon Group Limited	55,622,358	40.26
New Zealand Central Securities Depository Limited	24,357,781	17.63
China Resources Ng Fung Limited	13,798,944	9.98
FNZ Custodians Limited	5,052,288	3.65
Grantley Bruce Rosewarne & Julie Ann Rosewarne	2,093,902	1.51
John William Dudley Ryder	1,839,644	1.33
Susan Glenice Paine & Harvey Te Hawe Ruru & Richard Murray	1,785,715	1.29
Custodial Services Limited	1,138,600	0.82
NZKS Custodian Limited	993,671	0.71
MA Investments Two Limited	920,734	0.66
Donald Kingston Everitt & Elspeth Ann Everitt	815,735	0.59
Investment Custodial Services Limited	742,875	0.53
Richard Pelham Garland & Susan Jane Garland	697,322	0.50
Andrew Christopher Clark & Christine Elizabeth Clark	620,259	0.44
Peter Plowman	606,184	0.43
Howard Nicholas Paul Bretherton & Bretherton trustee Limited	552,662	0.40
Sirius Capital Investments Limited	500,000	0.36
Sturgess Consulting Limited	489,704	0.35
Citicorp Nominees Pty Limited	443,822	0.32
Paul James Steere	401,785	0.29

## Substantial Product Holders

Set out below are details of the substantial product holders of the Company as advised by notice to the Company as at 30 June 2017. The number of shares shown below is as advised in the most recent substantial product holder notices given to the Company and may not be their holding as at 30 June 2017.

Shareholder	Number of Shares	Class of Share
New Zealand King Salmon Investments Limited	65,852,206	Ordinary
Oregon Group Limited	55,622,348	Ordinary
China Resources Ng Fung Limited	13,798,944	Ordinary
Guardians of New Zealand Superannuation	10,407,438	Ordinary

The total number of ordinary shares on issue as at 30 June was 138,157,843.

## Annual Shareholders Meeting

The Company's 2017 Annual Shareholders' Meeting will be held in Marlborough on 7th November 2017. Shareholders will be given an opportunity at the meeting to ask questions and comment on relevant matters. Notice of Meeting will be sent to shareholders in advance of the meeting.

## Exercise of NZX Disciplinary Powers

NZX Limited did not exercise any of its powers under Listing Rule 5.4.2 in relation to the Company during the year ended 30 June 2017.

## Donations

Donations of \$42,971 were made by the Company during the year ended 30 June 2017.

# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

### John William Dudley Ryder

Independent Non-Executive Chairman

### Grantley Bruce Rosewarne

Chief Executive Officer  
and Managing Director

### Mark Robert Hutton

Independent Non-Executive Director

### Jack Lee Porus

Non-Executive Director

### Paul James Steere

Independent Non-Executive Director

### Thomas Chai Leng Song

Non-Executive Director

### Wang Xin

Non-Executive Director

## BANKERS

### The Bank of New Zealand

81 Riccarton Road  
Christchurch  
New Zealand

### ANZ Bank New Zealand Limited

248 Trafalgar Street  
Nelson  
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

## NEW ZEALAND KING SALMON INVESTMENTS LIMITED

Ticker: NZK

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

### Registered Office

93 Beatty Street  
Annesbrook  
Nelson 7011  
New Zealand

### Postal Address

PO BOX 1180  
Nelson 7040  
New Zealand

### Telephone

+64 3 548 5714

### Website

[www.KingSalmon.co.nz](http://www.KingSalmon.co.nz)

### Investor Relations

[investor@kingsalmon.co.nz](mailto:investor@kingsalmon.co.nz)

## SHARE REGISTRY

### Computershare Investor Services Limited

Level 2  
159 Hurstmere Road  
Takapuna  
Auckland 0622  
New Zealand

+64 9 488 8777

[enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

### Computershare Investor Services Pty Limited

Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3001  
Australia

+61 3 9415 4083

[enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)



## GLOSSARY

### ASX

Australian Securities Exchange

### CEO

Chief Executive Officer

### EBIT

Earnings Before Interest and Tax

### EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation

### FCR

Feed Conversion Ratio

### FMCG

Fast moving consumer goods

### FOB

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

### FY

Financial Year

### G&G

Gilled and gutted weight

### GAAP

New Zealand Generally Accepted Accounting Practice

### Group

New Zealand King Salmon Limited and its subsidiaries

### IPO

Initial Public Offering

### LTI Scheme

Plan Long term incentive scheme

### MT

Metric Tonnes

### New Zealand King Salmon

New Zealand King Salmon Investments Limited

### NPAT

Net Profit after Tax

### NZ IFRS

New Zealand equivalents to International Financial Reporting Standards

### NZX

New Zealand Stock Exchange

### PDS

Product Disclosure Statement dated 23 September 2016 as published by New Zealand King Salmon Investments Limited

### PFI

Prospective Financial Information contained in the New Zealand King Salmon Investments Limited Registered Product Disclosure Statement dated 23 September 2016







NEW ZEALAND KING SALMON INVESTMENTS LIMITED

93 Beatty Street, Annesbrook, Nelson 7011  
[www.kingsalmon.co.nz](http://www.kingsalmon.co.nz)