New Zealand King Salmon

NEW ZEALAND KING SALMON INVESTMENTS LIMITED AND SUBSIDIARIES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2022

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FOR THE YEAR ENDED 31 JANUARY 2022

NEW ZEALAND KING SALMON INVESTMENTS LIMITED AND SUBSIDIARIES

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Audit and Finance Committee
Paul Steere (Chair)
John Ryder
Jack Porus

Nominations and Remuneration Committee
Paul Steere (Chair)
Jack Porus

Health, Safety and Risk Committee
Catriona Macleod (Chair)
Chiong Yong Tiong

BANKERS

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

SOLICITORS

Chapman Tripp
Level 34, 15 Customs Street West
Auckland
New Zealand

Gascoigne Wicks
79 High Street
Blenheim
New Zealand

Duncan Cotterill
197 Bridge Street
Nelson
New Zealand

AUDITORS

Ernst & Young (EY)
Level 4, 93 Cambridge Terrace
Christchurch
New Zealand

SHARE REGISTRY

Computershare Investor
Services Limited
Level 2, 152 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

+64 9 488 8777

enquiry@computershare.co.nz

Computershare Investor
Services Pty Limited
Yarra Fall
452 Johnston Street
Abbotsford VIC 3001
Australia

+61 3 9415 4083

enquiry@computershare.co.nz

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
New Zealand

Postal Address
PO Box 1180 Nelson 7040
New Zealand

Telephone
+64 3 548 5714

Website
www.kingsalmon.co.nz

Investor Relations
investor@kingsalmon.co.nz

FINANCIAL CALENDAR

31 July 2022:
2023 half year end
September 2022:
2023 half year results announcement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY 2022

	Note	2022 12 Months to 31 January $000	2021 7 Months to 31 January $000
Revenue from contracts with customers	32	174,530	95,239
Cost of goods sold including fair value uplift at point of harvest	14	(177,774)	(98,820)
Fair value gain on biological transformation	15	41,261	29,350
Freight costs to market		(25,275)	(11,616)
Gross profit		**12,743**	**14,153**
Other income	6	402	541
Sales, marketing and advertising expenses		(13,471)	(7,702)
Distribution overheads		(5,204)	(3,132)
Corporate expenses	7	(8,649)	(4,979)
Other expenses	7	(1,414)	(889)
Loss before interest, tax, depreciation, amortisation and impairment		**(15,593)**	**(2,009)**
Depreciation and amortisation expense	16,17,18	(10,125)	(5,969)
Impairment	5	(59,255)	-
Finance income	8	17	5
Finance expenses	8	(2,636)	(1,353)
Loss before tax		**(87,593)**	**(9,326)**
Income tax credit / (expense)	9	14,390	2,247
Net loss after tax		**(73,202)**	**(7,079)**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	10	214	(677)
Movement on cash flow hedges	10	(11,765)	22,065
Income tax effect of movement on cash flow hedges	10	3,294	(6,178)
Net other comprehensive income / (loss)		**(8,257)**	**15,210**
Total comprehensive income / (loss)		**(81,459)**	**8,131**

Earnings per share		2022 12 Months	2021 7 Months
Basic earnings per share	11	$ (0.53)	$ (0.05)
Diluted earnings per share	11	$ (0.53)	$ (0.05)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2022

ASSETS	Note	2022 31 January $000	2021 31 January $000
Current assets			
Cash and cash equivalents	12	2,913	3,479
Trade and other receivables	13	19,817	16,186
Taxation receivable		294	-
Inventories	14	34,636	42,489
Biological assets	15	65,529	69,588
Derivative financial assets	25	1,338	5,413
Total current assets		**124,527**	**137,155**
Non-current assets			
Property, plant and equipment	16	50,620	60,716
Biological assets	15	9,432	18,600
Derivative financial assets	25	3,112	16,354
Intangible assets	17	3,893	9,126
Right-of use assets	18	5,744	6,810
Goodwill	17	-	39,255
Total non-current assets		**72,801**	**150,861**
TOTAL ASSETS		**197,328**	**288,016**
LIABILITIES			
Current liabilities			
Trade and other payables	21	16,434	18,597
Employee benefits	22	2,831	2,857
Borrowings	20	49,659	3,024
Lease liabilities	19	1,531	1,580
Other financial liabilities	29	233	233
Derivative financial liabilities	25	3,628	1,646
Taxation payable		301	5,074
Total current liabilities		**74,617**	**33,011**
Non-current liabilities			
Employee benefits	22	430	696
Borrowings	20	-	39,250
Lease liabilities	19	4,402	5,389
Deferred tax liabilities	9	-	16,923
Derivative financial liabilities	25	6,650	204
Total non-current liabilities		**11,482**	**62,462**
TOTAL LIABILITIES		**86,099**	**95,473**
NET ASSETS		**111,229**	**192,543**
EQUITY			
Share capital	27	122,606	122,606
Reserves		10,175	18,286
Retained earnings /(deficit)		(21,552)	51,651
TOTAL EQUITY		**111,229**	**192,543**
Net tangible assets per share			
Net tangible assets per share		$ 0.76	$ 1.04

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

For and on behalf of the Board, who authorised the issue of these financial statements on 13 April 2022

Director
13 April 2022

Director
13 April 2022

EY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2022

	Note	Share Capital $000	Foreign Currency Translation Reserve $000	Hedge Reserve $000	Share Based Payment Reserve $000	Retained Earnings/ (Deficit) $000	Total Equity $000
Balance as at 01 February 2021		122,606	(1,162)	18,474	974	51,651	**192,543**
Loss for the year		-	-	-	-	(73,202)	**(73,202)**
Other comprehensive income/(loss)	10	-	214	(8,471)	-	-	**(8,257)**
Total comprehensive income/(loss) for the year		**-**	**214**	**(8,471)**	**-**	**(73,202)**	**(81,459)**
Share based payment expense		-	-	-	146	-	**146**
Balance as at 31 January 2022		**122,606**	**(948)**	**10,003**	**1,120**	**(21,551)**	**111,230**
Balance as at 1 July 2020		122,606	(485)	2,587	876	58,730	**184,314**
Loss for the period		-	-	-	-	(7,079)	**(7,079)**
Other comprehensive income/(loss)	10	-	(677)	15,887	-	-	**15,210**
Total comprehensive income/(loss) for the period		**-**	**(677)**	**15,887**	**-**	**(7,079)**	**8,131**
Share based payment expense		-	-	-	98	-	**98**
Balance as at 31 January 2021		**122,606**	**(1,162)**	**18,474**	**974**	**51,651**	**192,543**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JANUARY 2022

	Note	2022 12 Months $000	2021 7 Months $000
Operating activities			
Receipts from customers		171,644	92,449
Payments to suppliers		(129,077)	(73,283)
Payments to employees		(43,556)	(24,512)
Interest received		17	5
Interest paid		(1,685)	(836)
Insurance and settlement income		1	-
Government grants received		340	490
Proceeds from foreign currency forward contracts closed early		13,495	5,744
Income tax paid		(4,171)	(938)
Net cash flows from / (used in) operating activities	31	**7,008**	**(881)**
Investing activities			
Proceeds from sale of property, plant and equipment		17	-
Purchase of property, plant and equipment		(10,295)	(4,837)
Purchase of intangible assets		(2,907)	(859)
Net cash flow (used in) / from investing activities		**(13,185)**	**(5,696)**
Financing activities			
Proceeds from borrowings		174,796	62,983
Repayment of borrowings		(167,411)	(58,841)
Payment of lease liabilities		(1,719)	(845)
Net cash flows (used in) / from financing activities		**5,666**	**3,297**
Net increase/(decrease) in cash and cash equivalents		**(511)**	**(3,280)**
Net foreign exchange difference		(55)	(356)
Cash and cash equivalents at beginning of the year	12	3,479	7,115
Cash and cash equivalents at year end	12	**2,913**	**3,479**

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

1. CORPORATE INFORMATION

The consolidated financial statements of New Zealand King Salmon Investments Limited (the Company) and its subsidiaries (together the Group) for the year ended 31 January 2022 were authorised by the directors on 13 April 2022.

New Zealand King Salmon Investments Limited is a profit-orientated company incorporated and domiciled in New Zealand. The Company is registered under the Companies Act 1993 and listed on the NZX Main Board ("NZX") and the Australian Securities Exchange ("ASX"). The Company is an FMC reporting entity under the Financial Markets Conduct Act 2013.

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

The Group has changed its balance date to 31 January following a Board resolution on 2 November 2020.The comparative information is for the seven month period to 31 January 2021 as such, amounts presented in the financial statements are not entirely comparable.

2. BASIS OF PREPARATION

a. Statement of compliance

The consolidated financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (IFRS) and also with International Financial Reporting Standards (IFRS). The financial statements are prepared under NZ GAAP and FMC Act 2013.

b. Basis of measurement

The financial statements have been prepared on a historical cost basis except for biological assets and certain financial instruments which have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in hedging instruments, otherwise carried at amortised cost, are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

c. Significant accounting judgements, estimates and assumptions

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:

Going concern

The Group has reviewed the impact on the business from the evolving mortality event occurring at our sea farms. The Directors are of the view that there will be a material adverse impact to financial results, in comparison to previous expectations, in the 12 months from approving the financial statements. The impacts of fish mortality will result in an increase in mortality expenses for the year ended 31 January 2023 and a reduction in the forecast harvest volume. The Group is in breach of its banking related covenants at 31 January 2022 and without taking action the Group forecasts that breaches of a number of its banking related covenants over the next 12 months will continue. As a result, there are material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. In response to this the Group is taking the following actions.

In February 2022 the Group commenced discussions with the Group's bank (Bank of New Zealand) while a review of the financial structure of the business was undertaken. The Directors approved a rights issue, which will commence post the approval of the financial statements of $60.1m to fully repay (or cash cover) all bank debt of the Group and provide sufficient funds to support operations for the 12 months from the date of approving these financial statements. On the basis the Group completes the equity raise of a minimum $50m (net of transaction costs), the Bank of New Zealand has agreed in principle a combination of temporary covenant waivers, renegotiation of facilities and adjustments to covenant definitions. On the assumption the full equity raise is completed, and financial forecasts are met, the Group does not forecast a default event in respect of its financial covenants for 12 months from the date of approving these financial statements.

The Directors consider that the completion of the equity raise is probable as they have taken all reasonable steps to ensure the successful completion of the capital raise, including obtaining contractual pre-commitments from Oregon Group Limited and certain Directors to subscribe for $26.3m of shares in the equity raise and entering into an underwriting agreement with Jarden Partners Limited and Jarden Securities Limited as underwriter and lead manager of the equity raise, pursuant to which the balance of the equity raise will be underwritten. However, these steps do not eliminate the inherent risk in equity markets. In addition, the Directors consider that the Group's forecast net cashflows for the coming 12 months are achievable and so that the amount expected to be raised in the capital raise will be sufficient to ensure that the Group can continue to pay its debts as they fall due. Having taken these actions the Directors have concluded that it is appropriate that these financial statements are prepared on a going concern basis.

Should the proposed equity raise not be completed, an event of default will occur, and the willingness of the Bank of New Zealand to continue to support the business is uncertain. In addition, if financial forecasts are not met, the amount of equity raised may not be sufficient to allow the Group to pay its debts as they fall due. As a result of these material uncertainties, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. As the Directors consider the equity raise and the achievement of financial results is probable, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or adjustments to liabilities that might be necessary should the entity not continue as a going concern.

Valuation of biological assets

The Group recognises stocks of live fish at fair value 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 in the reporting period. Further details of the valuation and sensitivity to change in key inputs are given in note 15.

Impairment testing of intangibles, plant and equipment

The Group's non-financial assets are assessed for indicators of impairment on at least an annual basis and whenever events or changes in circumstances indicate that the carrying amount of the assets may exceed their recoverable amount. In addition the carrying value of goodwill, plant, equipment and intangible assets that are not yet available for use are tested annually for impairment irrespective of whether there is any indication of impairment according to the principles of NZ IAS 36 Impairment of Assets.

Where the asset's carrying amount is determined to be greater than the recoverable amount, the carrying amount is written down and an impairment loss is recognised in the income statement. Impairment testing involves a significant amount of estimation. Impairment testing involves assessing the recoverable amount of the Group's Cash Generating Unit ("CGU") by calculating the higher of the CGU's value in use or fair value less costs of disposal. The recoverable amount calculated under the value-in-use method includes cash flow projections that necessarily take into account changes in the market in which a business operates. Determining both the cash flows and the risk-adjusted discount rate appropriate to the operating unit requires the exercise of judgement.

The estimation of cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding long-term sustainable cash flows, the assessment of impairment requires judgement to be applied and consideration of a number of factors including but not limited to: changes in business strategy, regulatory environment, and customer preferences or requirements.As a result of the mortality event, the Directors have approved a strategy change to reduce farming at the Group's warmer sites over summer (outside of some trials). This will reduce the Group's annual harvest volume from ~8,000 tonnes to 6,500 tonnes (~5,750 tonnes FY23 and 6,500 tonnes FY24 onwards), however, it is also expected to reduce the risk of sea farm mortality with the intention of being a more predictable and profitable business. As part of this the Group is reviewing its operating expenses to align with a reduction in harvest volume. (Refer to note 16 and 17)

Inventory (Finished goods and work in progress) obsolescence

Inventories are stated at the lower of cost or net realisable value, and the Group uses judgment and estimates to determine the net realisable value of inventory at the end of each reporting period.
The Group estimates the net realisable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realisable value. The net realisable value of the inventory is determined based on assumptions of future demand and pricing and estimates over the remaining shelf life of the inventory.

Valuation of financial derivatives

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.

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. The USA subsidiary's functional currency is United States 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 and then translated 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.

3. 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 29). 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. Financial instruments

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. 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 written off or impaired.

For trade receivables and contract assets, the Group applies a simplified approach in calculating an allowance for expected credit loss (ECL). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL's at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Loans with related parties

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 30-90 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 guarantees

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 cash flow hedge reserve, while the ineffective portion is recognised immediately in the statement of profit or loss.

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

c. 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 feed and packing 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 stage 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.

d. 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.

e. 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 to ten 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.

f. Leases

At the inception of a contract, the Group is required to assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.
The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Group's lease portfolio

Property leases

The Group’s real estate includes office buildings and storage facilities. The Group has recognised some storage contracts that meet the identifiable criteria as a right of use asset and corresponding liability portfolio under NZIFRS 16.

Vehicle leases

The Group lease vehicles are predominantly used by sales staff and the transportation of personnel between operating locations. These vehicles are generally held for a term of three years.

Plant and Equipment Leases

The Group sometimes leases machinery used for the production or processing of salmon. The current leases relate to equipment being utilised for the upwelling on sea farms and various forklifts operated throughout the company. The Group has elected to apply the recognition exemption for short-term leases for all other machinery employed for less than 12 months duration and for leases where the underlying asset is of low value.

Contracts not recognised as leases

The Group has transport contracts that have not been recognised as leases on balance sheet but can be identified as an asset to which the contract relates. These leases have been assessed as variable lease payments linked to future harvest volumes and activity levels. These contracts have an operating expense value of $3.6m in the year to 31 January 2022 (7 months to 31 January 2021: $2.2m).

The Group applies short term lease recognition exemption to its short term leases of equipment. It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

g. Impairment of non financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

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 or not yet available for use 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 and Income Recognition

Revenue from contracts with customers

The Group is in the business of growing, processing and selling King Salmon to customers in New Zealand and overseas. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at the amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

NZ IFRS 15 established a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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 27.

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.

o. Comparatives

Certain prior year comparatives have been reclassified to align with the current period's presentation.The reclassification is in respect of currency sensitivity impacts upon equity disclosures.

4. NEW STANDARDS ADOPTED AND STANDARDS ISSUED NOT YET ADOPTED

a. New standards adopted and interpretations

In the current year, the Group applied amendments to accounting standard and interpretations that are effective for an annual period that began on or after 1 February 2021 in respect of cloud computing costs and selling costs in inventory net realisable value assessment. Their adoption has not had any material impact on the disclosures or on the amounts reported in the financial statements.

No other new standards, amendments or interpretations that are not yet effective have been early adopted by the Group in these financial statements.

5. IMPAIRMENT

	2022 12 Months	2021 7 Months
Plant, equipment and fittings	12,116	-
Vehicles and sea vessels	511	-
Development in progress	5,587	-
Trademarks	13	-
Farm and hatchery licenses	1,009	-
Software	763	-
Goodwill	39,255	-
Total impairment	**59,255**	**-**

As noted in note 17 Intangible assets. Following on from an unexpected increase in sea farm mortality predominantly seen at our warmer sites towards the end of FY22, the Group has approved a strategy change to reduce farming at our warmer sites over summer. This strategy has a significant impact on future harvest volumes and therefore a reduction in future cash flows. A value in use calculation using a discounted cash flow approach (DCF) was prepared to estimate the recoverable amount of the CGU, with a resulting valuation single point of $183m. The DCF resulted in $39.255m impairment to goodwill and additional impairment of $14.4m which has been allocated on a pro rata basis to intangible assets and plant and equipment. Consideration has been given as to the status of development projects in light of the current financial environment and the impact this has on the capacity to complete significant capital projects. As a result, the capitalised development costs have been impaired at balance date.

Impairment Sensitivity		2022 $000	2021 $000
Mortality	+ 500 tonnes	(11,000)	-
	- 500 tonnes	11,000	-
Price increases	+1%	21,000	-
	-1%	(22,000)	-
Cost increases	+1%	(20,000)	-
	-1%	20,000	-
Discount rate WACC	+1%	(19,000)	-
	-1%	24,000	-
Growth rate	+1%	19,000	-
	-1%	(15,000)	-

6. OTHER INCOME

Other income	2022 12 Months $000	2021 7 Months $000
Grants received	340	490
Profit on sale of property, plant and equipment	17	-
Other income	45	51
Total other income	**402**	**541**

7. EXPENSES

Corporate and other expenses include:	2022 12 Months $000	2021 7 Months $000
Trade receivables written off	-	-
Impairment of trade receivables	44	8
Research cost	768	599
Loss on sale of assets	153	2
Low value leases	3	-
Directors' fees	429	271
Other directors' expenses	10	1
Donations	10	8

Employee benefits expense	$000	$000
Wages and salaries	36,427	20,236
Defined contribution plan expenses	914	514
Restructuring costs	12	10
Other employee benefits expenses	5,301	3,495
Outsourced labour	890	440
Total employee benefits expense	**43,544**	**24,695**

Compensation of key management personnel of the Group	$000	$000
Short-term employee benefits	2,027	1,224
Share based payment expense	21	29
Post employment pension and medical benefits	112	53
Total compensation of key management personnel of the Group	**2,160**	**1,306**

8. FINANCE INCOME AND COSTS

Finance income	2022 12 Months $000	2021 7 Months $000
Interest income	17	5
Total finance income	**17**	**5**

Finance costs	$000	$000
Bank facility fees	920	418
Interest on bank loans and overdrafts	1,467	795
Interest on leases	249	140
Total finance costs	**2,636**	**1,353**

9. INCOME TAX

	2022 12 Months	2021 7 Months
Recognised in the consolidated statement of comprehensive income	**$000**	**$000**
Current income tax expense	(794)	427
Deferred tax relating to origination and reversal of temporary differences	(13,596)	(2,674)
Total income tax expense / (credit) in the statement of comprehensive income	**(14,390)**	**(2,247)**
Tax amounts posted directly to other comprehensive income	**(3,294)**	**6,178**
Tax amounts posted directly to equity	**(32)**	**-**
Reconciliation of tax expense to statutory income tax rate		
Profit / (loss) before tax	(87,593)	(9,326)
Income tax using the company tax rate 28%	(24,526)	(2,611)
Non deductible/non assessable items	2	23
Impairment of goodwill	10,991	-
Unrecognised tax losses	105	-
Prior period adjustment	(991)	306
Adjustment for varying tax rates	10	35
Other differences	19	-
Total tax expense / (credit)	**(14,390)**	**(2,247)**

Statement of financial position deferred tax assets and liabilities	**2022**	**2021**
Deferred tax liabilities	**$000**	**$000**
Accelerated depreciation for tax purposes	-	(3,109)
Fair value adjustment to biological assets	(6,829)	(9,286)
Unrealised gains on foreign currency hedges	(1,246)	(6,095)
Increase accounting cost for finished goods	(304)	(564)
Total deferred tax liabilities	**(8,379)**	**(19,054)**
Deferred tax assets		
Deferred tax on impairment	2,605	-
Provision for doubtful trade debtors	41	29
Provision for employee benefits	897	765
Share based payments	295	263
Tax losses	1,326	-
Unrealised losses on foreign currency hedges	2,725	518
Other provisions	490	556
Total deferred tax assets	**8,379**	**2,131**
Net deferred tax liabilities	**-**	**(16,923)**
Unused tax losses		
Unused tax losses for which no deferred tax asset has been recognised	378	-
Potential tax benefit @ 28%	106	-

The unused tax losses relate to the New Zealand operations and can be carried forward indefinetely subject to the shareholder continuity test.

Statement of comprehensive income impact of deferred tax assets and liabilities	**2022 12 months**	**2021 7 months**
Deferred tax liabilities	**$000**	**$000**
Accelerated depreciation for tax purposes	-	(5)
Fair value adjustment to biological assets	(2,457)	(1,543)
Increase accounting cost for finished goods	(260)	(1,043)
Other provisions	-	(79)
	(2,718)	**(2,670)**
Deferred tax assets		
Accelerated depreciation for tax purposes	(5,714)	-
Provision for doubtful trade debtors	(13)	17
Provision for employee benefits	(132)	22
Tax losses	(5,104)	-
Unrealised gains on foreign currency hedges	18	-
Other provisions	66	(43)
	(10,879)	**(4)**
Deferred tax expense / (credit)	**(13,597)**	**(2,674)**

Imputation credit account

The imputation credit account balance in the Group as at 31 January 2022 is $9,517k (31 January 2021: $5,450k).

10. COMPONENTS OF OTHER COMPREHENSIVE INCOME

Movement in reserves	2022 12 months $000	2021 7 months $000
Forward currency contracts		
Reclassification during the period to profit or loss	(64)	38
Income tax effect	18	(11)
Realised/unrealised net gain/(loss) during the period	(13,193)	21,769
Income tax effect	3,694	(6,095)
Interest rate swaps		
Realised/unrealised net gain/(loss) during the period	944	258
Income tax effect	(265)	(72)
Reclassification during the period to profit or loss	547	-
Income tax effect	(153)	-
Currency translation differences		
Translation of foreign operations	214	(677)
Net movement in other comprehensive income	**(8,257)**	**15,210**

11. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares on issue during the period. Diluted earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

Earnings per share	2022 12 months $000	2021 7 months $000
Profit / (Loss) attributable to ordinary equity holders	(73,202)	(7,079)
	# of Shares 000	**# of Shares 000**
Weighted average number of ordinary shares for basic and diluted earnings per share	139,004	138,986
Basic earnings per share	$ (0.53)	$ (0.05)
Diluted earnings per share	$ (0.53)	$ (0.05)

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2022 $000	2021 $000
Cash at bank and on hand	2,452	2,571
Short-term deposits	461	908
Total cash and cash equivalents	**2,913**	**3,479**

13. TRADE AND OTHER RECEIVABLES

Trade and other receivables	2022 $000	2021 $000
Trade receivables	16,615	12,968
Allowance for expected credit losses	(141)	(97)
Prepayments	2,851	2,696
Other receivables	492	619
Total trade and other receivables	**19,817**	**16,186**

Trade receivables generally have 20-30 day terms and are recognised at their realisable value.

Ageing analysis of trade receivables	$000	$000
> 90 days overdue	5	4
61 - 90 days overdue	2	7
31 - 60 days overdue	103	114
< 30 days overdue	3,747	2,629
Not yet due	12,758	10,214
Total receivables	**16,615**	**12,968**

Receivables impairment	$000	$000
As at beginning of the year	97	90
Additional provisions for impairment	44	97
Receivables written off during the period	-	-
Reversal of unused amounts	-	(90)
As at year end	**141**	**97**

14. INVENTORIES

Inventories	2022 $000	2021 $002
Raw materials	10,509	11,853
Work in progress	1,705	2,748
Finished goods	22,422	27,888
Total inventories	**34,636**	**42,489**

The carrying value of finished goods as at 31 January 2022 includes a fair value uplift at point of harvest of $8,665k (2021: $12.939k) and net realisable value provision of $7,708k (2021: $10,931k).

Amount of inventories recognised as an expense in the statement of comprehensive income	$000	$000
Cost of inventories recognised as an expense	180,987	90,092
Movement in net realisable value provision	(3,213)	8,728
Total cost of goods sold including fair value uplift at point of harvest	**177,774**	**98,820**

The cost of inventories recognised as an expense for the year ended 31 January 2022 includes a fair value uplift at point of harvest of $54,313k (2021: $29,857k).This cost is included in cost of goods sold in the Statement of Comprehensive Income.

The cost of inventory includes fish harvested at the fair value less cost to sell at harvest date, based on management's expected future sales pricing and mix of product ("deemed cost"). As at 31 January 2022 no volumes were forecasted to be sold at returns materially below deemed cost plus further manufacturing costs. As a result, the overall deemed cost of inventory on hand takes this into account and therefore increase the carrying value by the impact of the higher expected sales prices.

15. BIOLOGICAL ASSETS

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

Biological assets	Cost $000	Fair Value Gain $000	Total $000
As at 1 February 2021	55,025	33,163	88,188
Increase due to biological transformation [1]	83,311	33,876	117,188
Decrease due to harvest [2]	(66,920)	(50,038)	(116,958)
Decrease due to mortality [3]	(20,841)	-	(20,841)
Changes in fair value [4]	-	7,385	7,385
As at 31 January 2022	**50,575**	**24,386**	**74,961**

[1] 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).

[2] Harvested fair value is included in cost of goods sold in the statement of comprehensive income and is calculated by multiplying the current period's harvest (biomass) by the prior period's estimated gross margin per kg (recognised at 100%).

[3] Mortality cost is expensed directly to the statement of comprehensive income within the cost of goods sold in the period which it occurs and is not subject to a fair value

[4] Changes in fair value are impacted by movements in margin primarily being changes in sales price and costs to sell (fish cost, harvest, processing and freight to market).

Biological assets	Cost $000	Fair Value Gain $000	Total $000
As at 1 July 2020	53,704	38,674	92,378
Increase due to biological transformation	51,807	33,726	85,533
Decrease due to harvest	(42,233)	(34,860)	(77,093)
Decrease due to mortality	(8,253)	-	(8,253)
Changes in fair value	-	(4,377)	(4,377)
As at 31 January 2021	**55,025**	**33,163**	**88,188**

Fair value gain/(loss) recognised in profit and loss	2022 12 months $000	2021 7 months $000
Gain arising from growth of biological assets	33,876	33,726
Movement in fair value of biological assets	7,385	(4,377)
Total fair value gain on biological transformation	**41,261**	**29,349**

Estimated closing biomass	2022 tonnes	2021 tonnes
Closing fresh water stocks	199	173
Closing sea water stocks	5,816	6,691
Total estimated closing biomass live weight as at year end	**6,015**	**6,864**

	2022 12 months tonnes	2021 7 months tonnes
Total live weight harvested for the year	**8,389**	**5,545**

Fair value measurement

Measurement of fair value is performed using a fair value model. The method of valuation therefore falls into level three of the fair value hierarchy as the inputs are unobservable inputs.

The valuation of biological assets is carried out separately for each site at a brood and strategy level. Estimated actual cost up to the date of harvest per site is used to measure the expected margin at the time the fish is defined as ready for harvest, being 4.0kg live weight. Selling price is estimated at balance date based on the most relevant future market price at expected harvest date. The expected gross margin is recognised proportionately based on average biomass at reporting date. Fair value measurement commences at the date of transfer to sea water as this is considered the point at which the fish commence their grow out cycle.

Fair value risk and sensitivity

The Group is exposed to financial risks relating to the production of salmon stock including increasing climate change volatility, climatic events, disease and contamination of water space.

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

The estimated unrealised fair value gain from cost at 31 January 2022 has decreased due to an increase in forecasted mortalities and a consequential decrease in the forecasted harvest. Mortality assumptions made in the fair value model are in line with the FY23 forecast which sees FY22 high mortalities continued into the beginning of FY23. Average price increases are forecast due to reduced lower value sales. Additional to this there are forecasted general price increases due to higher costs of inputs. Changes in these assumptions will impact the fair value calculation. The realised profit which is achieved on the sale of inventory will differ from the calculations of fair value of biological assets because of changes in key factors such as the final market destinations and product mix of inventory sold, changes in price, foreign exchange rates, harvest weight, growth rates, mortality, cost levels and differences in harvested fish quality.

Leaving all other variables constant a 15% increase/decrease in average future sales prices would increase/decrease the fair value of biological assets on hand and profit before tax by $13.2m (2021: $18.3m) (excludes the impact of finished goods), while a 15% increase/decrease in future harvest volume would increase/decrease the fair value of biological assets on hand and profit before tax by $ 3.3m (2021: $2.1m).

A 15% increase/decrease in costs to sell would decrease/increase the fair value of biological assets on hand and profit before tax by $ 9.7m (2021: $15m). Changes in fish health and environmental factors may affect the quality of harvested fish, which may be reflected in realised profit via both achieved sales price and production costs.

16. PROPERTY, PLANT AND EQUIPMENT

Cost	Note	Freehold land and buildings $000	Plant, equipment and fittings $000	Vehicles and sea vessels $000	Construction in progress $000	Total $000
As at 1 July 2020		11,371	86,853	3,562	4,783	106,569
Additions		-	-	-	4,837	4,837
Disposals		-	(210)	-	-	(210)
Transfers from WIP		399	2,961	166	(3,526)	-
As at 31 January 2021		**11,770**	**89,604**	**3,728**	**6,094**	**111,196**
Additions		-	-	-	10,384	10,384
Disposals		-	(1,604)	(43)	-	(1,647)
Transfers from WIP		2,488	1,524	43	(4,054)	-
As at 31 January 2022		**14,258**	**89,523**	**3,728**	**12,424**	**119,933**
Depreciation and impairment						
As at 1 July 2020		2,708	41,632	1,748	-	46,088
Depreciation		257	4,207	137	-	4,601
Impairment		-	-	-	-	-
Disposals		-	(209)	-	-	(209)
As at 31 January 2021		**2,965**	**45,630**	**1,885**	**-**	**50,480**
Depreciation		548	6,889	263	-	7,700
Impairment	**5**	-	12,116	511	-	12,627
Disposals		-	(1,450)	(45)	-	(1,494)
As at 31 January 2022		**3,513**	**63,186**	**2,614**	**-**	**69,313**
Net Book Value						
As at 31 January 2021		**8,805**	**43,974**	**1,843**	**6,094**	**60,716**
As at 31 January 2022		**10,744**	**26,338**	**1,114**	**12,424**	**50,620**

Property, Plant and Equipment is stated at historical cost less depreciation and any impairment adjustments. Historical cost includes expenditure that is directly attributable to the acquisition of Property, Plant and Equipment. Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group has considered the continuing effects Covid-19 may have on the carrying value of its specialised assets, and has concluded there is no evidence of technical or functional obsolescence which would impact the carrying value of its assets in use.

Borrowing costs

There were no borrowing costs capitalised in year ending 31 January 2022 (7 months to January 2021: $nil).

17. INTANGIBLES

Cost	Note	Development in progress $000	Trademarks $000	Farm and hatchery licenses $000	Software $000	Goodwill $000	Total $000
As at 1 July 2020		2,742	242	4,295	4,837	39,255	51,371
Additions		859	-	-	-	-	859
Disposals		-	-	-	-	-	-
Transfers from WIP		(741)	-	-	741	-	-
As at 31 January 2021		**2,860**	**242**	**4,295**	**5,578**	**39,255**	**52,230**
Additions		2,817	-	64	26	-	2,907
Disposals		(90)	-	-	-	-	(90)
Transfers from WIP		-	-	-	-	-	-
As at 31 January 2022		**5,587**	**242**	**4,359**	**5,604**	**39,255**	**55,047**
Amortisation and impairment							
As at 1 July 2020		-	200	879	2,383	-	3,462
Amortisation		-	-	97	290	-	387
Impairment		-	-	-	-	-	-
Disposals		-	-	-	-	-	-
As at 31 January 2021		**-**	**200**	**976**	**2,673**	**-**	**3,849**
Amortisation		-	-	167	510	-	677
Impairment	**5**	5,587	13	1,009	763	39,255	46,628
Disposals		-	-	-	-	-	-
As at 31 January 2022		**5,587**	**213**	**2,153**	**3,946**	**39,255**	**51,154**
Net Book Value							
As at 31 January 2021		**2,860**	**42**	**3,319**	**2,905**	**39,255**	**48,381**
As at 31 January 2022		**-**	**29**	**2,206**	**1,658**	**-**	**3,893**

Goodwill

Goodwill resulted from the acquisition of The New Zealand King Salmon Co Limited and is subject to annual impairment testing. 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 Company's one 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 terminal value calculation assumes sea farm consents expiring in 2024 will be renewed on reasonable commercial terms to enable water space to continue to be utilised. The forecasts were based on actual results and expected future use of water space licences currently held, before fair value adjustments to biological assets. Following on from an unexpected increase in sea farm mortality predominantly seen at our warmer sites towards the end of FY22, the Group has decided on a strategy change to reduce farming at our warmer sites over the summer. This strategy has a significant impact on future harvest volumes and therefore a reduction in future cash flows. A value in use calculation using a discounted cash flow (DCF) approach was prepared to estimate the recoverable amount of the CGU, with a resulting valuation single point of $183m. The DCF supported a $39.255m goodwill impairment to goodwill and additional impairment of $14.4m which has been allocated on a pro rata basis to intangible assets and plant and equipment on the basis of the carrying amount of each asset, but not below its fair value or value in use

The following key assumptions were applied in the value in use calculation:

Key judgements	2022	2021
Post tax discount rate	8.6%	5.14%
Terminal growth rate	2.5%	0.21%
Harvest volumes in terminal year	6,700 tonnes	8,000 tonnes
Sales Growth	Budget used for FY23 followed by a 3% growth rate in outer years	2.5%
Cost inflation	Budget used for FY23 followed by a 2.1% - 2.5% growth rate in outer years	3.0%
Capex in terminal value	$8m	$8.7m

Trademarks

Trademarks are externally acquired and are carried at cost less impairment. They have indefinite useful lives and are assessed annually for impairment. An impairment of $13k has been recognised during the year (7 months period to 31 January 2021: Nil).

18. RIGHT-OF-USE ASSETS

Cost	Land & Buildings $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
As at 01 July 2020	3,885	579	1,554	6,018
Additions	2,231	139	43	2,413
Remeasurement	790	6	-	796
As at 31 January 2021	**6,906**	**724**	**1,597**	**9,227**
Additions	-	545	-	545
Disposals	-	(48)		(48)
Remeasurement	131	7	-	138
As at 31 January 2022	**7,037**	**1,228**	**1,597**	**9,862**
Depreciation				
As at 01 July 2020	752	225	460	1,437
Depreciation	565	145	270	980
As at 31 January 2021	**1,317**	**370**	**730**	**2,417**
Depreciation	1,019	260	470	1,749
Disposals	-	(48)	-	(48)
As at 31 January 2022	**2,336**	**582**	**1,200**	**4,119**
Net Book Value				
As at 31 January 2021	**5,589**	**354**	**867**	**6,810**
As at 31 January 2022	**4,701**	**646**	**397**	**5,744**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2022

19. LEASE LIABILITIES

	Land & Buildings $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
Liability liabilities at 01 July 2020	3,187	366	1,052	4,605
Additions	2,231	139	43	2,413
Remeasurement	790	6	-	796
Interest for the period	119	7	14	140
Lease payments made	(631)	(153)	(201)	(985)
Lease liabilities as at 31 January 2021	**5,696**	**365**	**908**	**6,969**
Additions	-	544	-	544
Remeasurement	131	7	-	138
Interest for the period	211	19	19	249
Lease payments made	(1,179)	(297)	(491)	(1,967)
As at 31 January 2022	**4,859**	**638**	**436**	**5,933**

Short term leases

The Group recognised $1,178k of payments for short term lease equipment in the year (2021: $357k).

Total lease payments

The Group had total cash outflows for leases of $3,148k in 2022 (2021: $1,342k)

	2022 $000	2021 $000
Current	1,531	1,580
Non-current	4,402	5,389
Total lease liabilities	**5,933**	**6,969**

20. INTEREST BEARING LOANS AND BORROWINGS

	2022 $000	2021 $000
Current interest bearing loans and borrowings		
Secured bank loans	47,000	750
Other borrowings	2,659	2,274
Total current interest bearing loans and borrowings	**49,659**	**3,024**
Non-current interest bearing loans and borrowings		
Secured bank loans	-	39,250
Total non-current interest bearing loans and borrowings	**-**	**39,250**

The Company has facilities with BNZ for $60m.Land and buildings, plant and equipment, motor vehicles and vessels with a total carrying value of $38.196m are subject to a first charge under a General Security Deed granted to BNZ. The expiry date of facility A of $20m is 18 October 2022, facility B of $20m expires on 18 October 2023, and facility C of $20m expires on 18 October 2024. At balance date $20m of facility A was drawn, $20m of facility B was drawn and $2.75m facility C was drawn (as at 31 January 2021 total: $40m). During the period, the financial covenants relating to interest coverage and leverage ratios have been amended. In prior year,the Group also secured a Business Finance Scheme Loan via BNZ for $5m (expiry October 2025) that arose from the Government providing financial assistance following the pandemic virus Covid-19. At balance date the Business Finance Scheme loan was fully drawn at $4.25m (as at 31 January 2021: $5m).

The impacts of the unforeseen mortalities resulted in the Group breaching a number of its bank related covenants as at 31 January 2022 and forecasting to be in breach of the following covenants in the next 12 months being:

- Interest Cover Ratio (EBIT/Interest expense)
- Leverage Ratio (Gross debt/EBITDA)
- Guarantee Group cover ratio - EBITDA of the Guaranteeing Group (A)

As a result of breach of covenants default interest has been charged on the borrowings since the events of default. The Bank of New Zealand has agreed in principle to a combination of temporary covenant waivers, renegotiation of facilities and adjustments to covenant definitions on the basis the Group completes the equity raise of a minimum $50m (net of transaction costs).See also note 2 Significant accounting judgements, estimates and assumptions, Going Concern.

21. TRADE AND OTHER PAYABLES

	2022 $000	2021 $000
Trade payables	14,223	15,282
Other payables	2,211	3,315
Total trade and other payables	**16,434**	**18,597**

22. EMPLOYEE BENEFITS

	2022	2021
Current employee benefits	**$000**	**$000**
Bonuses	65	257
Employee annual and sick leave benefits	2,592	2,350
Long service leave	174	250
Total current employee benefits	**2,831**	**2,857**
Non-current employee benefits		
Long service leave	430	696
Total non-current employee benefits	**430**	**696**

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

23. COMMITMENTS AND CONTINGENCIES

Capital commitments
The Group has entered into agreements to purchase plant and equipment. As at 31 January 2022 the total commitment is $1,929k (2021: $1,629k).

Contingencies
The Group has a contingent liability of $1,152k in respect of a fish transport contract requiring the Group to purchase four bulk tankers (including a new tank aquired in 2021), should the fish transport contract be terminated early (2021: $826k).

Guarantees
The Group has three guarantee facilities totalling $132k (2021: $115k).

24. RISK MANAGEMENT

The Group's activities expose it to a variety of risks: market risk, credit risk, liquidity risk and climate change risk. The Health, Safety and Risk Committee has responsibility for the oversight of all risk domains, which includes managing climate risk, as delegated by the Board. 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's Audit and Finance Committee 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 five years, when exposures are considered highly probable. The Group hedges this exposure with the use of forward foreign exchange contracts and options. The Group has a policy of hedging foreign exchange exposures within a range of hedging limits broadly summarised as follows: Up to two years – 15% to 100%, two to five years – 0% to 50%. The notional contract amounts of forward foreign exchange contracts and options outstanding at balance date were $ 82.9m on the import side (2021: $95.7m) and $ 273m on the export side (2021: $ 213.4m), for delivery over the next five financial years, in line with anticipated payment dates.

The Group imports nearly all of its feed from Australia, purchases of which are in Australian dollars. 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 (AUD), Japanese yen (JPY) and United States dollars (USD) respectively. In order to protect against exchange rate movements and to manage the inventory costing process, the Group has entered into forward exchange contracts and options to hedge the net exposure to AUD, JPY and USD respectively.

The cash flows are expected to occur up to 60 months from 1 February 2022. Realised gains/losses on exercise of foreign exchange contracts and options is recognised within revenue when the hedged transactions occur.

Foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of highly probable forecast sales in USD, AUD and JPY and forecast purchases in USD, and AUD. The Group has typically hedged 50-55% of the net exposure of these forecast transactions. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:
- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The NZ dollar equivalent of unhedged currency risk on assets at balance date,31 January 2022 is $897k (2021: $491k) whilst the NZ dollar equivalent of unhedged currency risk on liabilities at balance date, 31 January 2022 is $1,459k (2021: $316k).

Currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in AUD, USD and JPY exchange rates. 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.

	Change in AUD rate	Equity $000	Profit $000
2022	+10%	(6,686)	(232)
	-10%	8,171	284
2021	+10%	(7,865)	(625)
	-10%	9,612	764

	Change in USD rate	Equity $000	Profit $000
2022	+10%	15,710	760
	-10%	(19,420)	(928)
2021	+10%	12,607	556
	-10%	(15,134)	(679)

	Change in JPY rate	Equity $000	Profit $000
2022	+10%	1,882	152
	-10%	(2,262)	(186)
2021	+10%	2,256	152
	-10%	(2,649)	(185)

Interest rate risk

The Group has exposure to interest rate risk that arises mainly due to the Group's 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 Group has a policy of fixing interest rates within a range of 50% to 100% of the exposure. The fixed interest rates for the existing swaps range between 4.3% and 5.01% (2021: 4.3% and 5.01%) and the floating rate of 0.96% is aligned to the floating quarterly bank bill rate, The amount of borrowing covered using swaps at balance date 31 January 2022 was $10m (2021: $10m). The loss on interest rate swaps at balance date was $547k (2021: $1,491k).

As the Group's Directors approved a fully underwritten or pre-committed rights offer of $60.1m to fully repay (or cash cover) all bank debt of the Group and provide sufficient liquidity going forward (See also note 2 Significant accounting judgements, estimates and assumptions, Going Concern) those future cashflows are no longer considered highly probable for hedge accounting purposes and its loss has been recognised in profit or loss in the income statement.

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:

	2022 $000	2021 $000
Impact of an increase of 50 basis points	126	193
Impact of a decrease of 50 basis points	(131)	(198)

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.

Customer credit risk is managed centrally subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive external credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and any shipments to major customers are generally covered by trade credit insurance.

An impairment analysis is performed at each reporting date using the accounts receivable aging report to measure expected credit losses. The impairment analysis is based on days past due for all customers with coverage by trade credit insurance. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

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:	2022 $000	2021 $000
Cash and short term deposits	2,913	3,479
Trade and other receivables	19,817	16,186
Derivative financial assets	-	19,874

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 National Australia Bank in Australia, PNC Bank in USA, and with Bank of New Zealand. 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 cash flows for all financial liabilities including proposed repayment of term debt with BNZ FY23 H1:

	Less than one year	Between one and two years	Between two and five years
As at 31 January 2022	**$000**	**$000**	**$000**
Bank loans	47,000	-	-
Credit card facilities	350	-	-
Lease liabilities	1,531	1,002	3,400
Trade and other payables	16,434	-	-
Financial guarantee contracts	132	-	-
Total non-derivative liabilities	**65,447**	**1,002**	**3,400**
Forward foreign currency exchange contracts	95,864	81,805	29,141
Forward foreign currency options	20,791	43,288	75,042
Interest swaps	126	-	-
Total derivative liabilities	**116,781**	**125,093**	**104,183**
As at 31 January 2021			
Bank loans	750	750	38,500
Credit card facilities	350	-	-
Lease liabilities	-	1,302	2
Trade and other payables	19,263	-	-
Financial guarantee contracts	115	-	-
Total non-derivative liabilities	**20,478**	**2,052**	**40,811**
Forward foreign currency exchange contracts	91,903	84,825	75,467
Forward foreign currency options	27,998	13,539	5,402
Interest swaps	429	428	756
Total derivative liabilities	**120,330**	**98,792**	**81,625**

Climate Risk

The Group recognises climate change will have a significant impact on our operations. The key risks are both physical risks (climate and water temperature impacting fish health) and transition risks resulting from the process of consumers adjusting their taste and preferences towards a low carbon economy. During the transition period, regulatory risk has also been identified, as the cost of compliance is increasing and not showing any signs of stabilising. The Health, Safety and Risk Committee has responsibility for the oversight of all risk domains, which includes managing climate risk, as delegated by the Board. An internal sustainability working group is being established to develop the Groups strategic response to climate risk in line with the recommendations of the Task force on climate-related disclosures.

25. 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 loans and BFS loan is $47m and is considered a reasonable approximation of its fair value due to the short term maturities of the drawings.

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

	2022	2021
Current derivative financial assets	**$000**	**$000**
Forward exchange contracts	1,028	4,509
Foreign exchange options	310	904
Total current derivative financial assets	**1,338**	**5,413**
Non-current derivative financial assets		
Forward exchange contracts	1,043	15,454
Foreign exchange options	2,068	900
Total non-current derivative financial assets	**3,112**	**16,354**
Current derivative financial liabilities		
Forward exchange contracts	2,772	94
Foreign exchange options	308	61
Interest rate swaps	548	1,491
Total current derivative financial liabilities	**3,628**	**1,646**
Non-current derivative financial liabilities		
Forward exchange contracts	2,618	18
Foreign exchange options	4,032	186
Interest rate swaps	-	-
Total non-current derivative financial liabilities	**6,650**	**204**

Valuation methods

Financial instruments have been categorised into the following hierarchy and valued according to the following definitions, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

All derivative financial instruments for which a fair value is recognised have been categorised within level 2 of the fair value hierarchy. Industry experts have provided the fair values for all derivatives based on an industry standard model. There were no transfers between Level 1 and Level 2 during the period ended 31 January 2022 (31 January 2021 - nil).

26. CAPITAL MANAGEMENT

Group capital

The capital of the Group consists of share capital, reserves and retained earnings/(deficit). 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. Refer to note 20 Borrowings - the Group commenced negotiations with the Group's Bank in February 2022 after the unforeseen increase in mortality commenced.The Group has worked with the Group's bank to agree a combination of temporary waivers and adjustments to existing facilities and associated covenants, and as such no event of default has occurred as at 31 January 2022.

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.

See also note 2 Significant accounting judgements, estimates and assumptions, Going Concern.

27. CAPITAL AND RESERVES

Share capital Issued shares	2022 000	2021 000
Ordinary shares	140,638	138,986
Total issued shares	**140,638**	**138,986**

Ordinary shares are fully paid with no par value. Each ordinary share has an equal right to vote, to participate in dividends and to share in any surplus on winding up of the Company. No dividend was declared nor paid during the year 2022 (7 months to 31 January 2021: No divided was declared nor paid).

	# of Shares		Share Capital	
Movement in ordinary share capital	2022 000	2021 000	2022 $000	2021 $000
The beginning of the period	138,986	138,986	122,606	122,606
Share issue for employee LTI share scheme	1,652	-	-	-
Share issue recognised on repayment of employee loans	-	-	-	-
Total share capital as at period end	**140,638**	**138,986**	**122,606**	**122,606**

Reserves

Foreign currency translation reserve

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

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. Also included are the realised gains on early closed foreign currency forward contracts where the hedged future cash flows are still expected to occur (net of tax).

	2022 12 months $000	2021 7 months $000
Unrealised gain / (loss)	(18,187)	11,751
Realised gain / (loss)	9,716	4,136
Total gain / (loss) on hedge reserves	**(8,471)**	**15,887**

Retained earnings

Retained earnings represents the profits retained in the business.

Share based payment reserve

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

28. EVENTS AFTER BALANCE DATE

On 1 February 2022 the Group disclosed a mortality event was occurring at its sea farms. This event has continued into February, March and April of FY23, which will impact the FY23 harvest and financial results. As a result of this mortality event the Group is:
- Undertaking a change to its farming strategy to reduce the mortality risk by not farming the warmer farms during the summer months.
- The Group will look to offset the loss in harvest with market and product optimisation in addition to traditional tools

In addition to the mortality event which has occurred at our warmer sea farms over summer, the Group has also seen elevated mortality at one of its other sites, Te Pangu, which has been linked to a feed related issue. This issue will also result in a lower FY23 harvest and the expected financial impact of this post year end mortality event is an EBITDA loss of $3.8m

In February 2022 the Group also commenced discussions with the BNZ resulting in an extension to the delivery date for the 31 January 2022 covenants to 13 April 2022 and in any event on or before 30 April 2022 on the understanding that an equity raise will be launched on or about that date. The Group has modelled that breaches will occur without corrective action being undertaken. On 12 April 2022, the Group's Board approved to proceed with a fully underwritten or pre-committed equity raise of $60.1m. In addition, the Group has agreed a combination of temporary covenant waivers and temporary adjustments to covenant definitions with its debt providers. As a result of these corrective actions the Group has greater confidence that there will be no default event in respect of its financial covenants for 12 months from the date of approving these financial statements.

No final dividend was declared in respect of the year ended 31 January 2022 (7 months to 31 January 2021: Nil).

29. RELATED PARTY DISCLOSURES

Subsidiaries

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

Subsidiary	*Country of Incorporation*	*Equity Interest*
The New Zealand King Salmon Co Limited	New Zealand	100%
New Zealand King Salmon Exports Limited	New Zealand	100%
The New Zealand King Salmon Pty Limited	Australia	100%
New Zealand King Salmon USA Incorporated	United States of America	100%

The principal activity of The New Zealand King Salmon Co Limited is the farming and processing of salmon. The activity of New Zealand King Salmon Exports Limited, The New Zealand King Salmon Pty Limited, and New Zealand King Salmon USA Incorporated is the distribution of salmon.

At balance date Oregon Group Limited owned 39.55% (2021: 40.02%) and China Resources Ng Fung Limited owned 9.81% (2021: 9.96%) of the shares in New Zealand King Salmon Investments Limited.

Transactions with related parties

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

	2022 12 months	2021 7 months
Related party payments	**$000**	**$000**
Good and services purchased from other related parties	402	300
Total related party payments	**402**	**300**
Related party sales	**$000**	**$000**
Goods and services sold to related parties	-	28
Total related party sales	**-**	**28**

Amounts owing to related parties	**2022**	**2021**
Current amounts owing to related parties	**$000**	**$000**
Other amounts owing to related parties	233	233
Total current amounts owing to related parties	**233**	**233**
Amounts owing by related parties	**$000**	**$000**
Amounts owing by related parties	2	3
Total amounts owing by related parties	**2**	**3**

30. AUDITOR'S REMUNERATION

	2022 12 months $000	2021 7 months $000
Audit fees	309	189
Other assurance	10	10
Tax advisory and compliance	-	-
Total auditor's remuneration	**319**	**199**

Other assurance services include performance of agreed upon procedures on sustainability information of the Group.

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

	2022 12 months	2021 7 months
Reconciliation of the profit / (loss) for the period with the net cash from operating activities	**$000**	**$000**
Profit / (loss) before tax	(87,593)	(9,326)
Adjusted for		
Depreciation and amortisation	10,125	5,969
Impairment	59,255	-
(Gain)/loss on sale of assets	135	1
Share-based payments	146	98
Net foreign exchange differences	13,633	5,428
Net loss/(profit) on derivative instruments at fair value through profit or loss	483	38
(Increase)/decrease in trade and other receivables and prepayments	(3,631)	(3,409)
(Increase)/decrease in inventories and biological assets	21,080	(2,687)
Increase/(decrease) in trade and other payables	(2,455)	3,945
Income tax paid	(4,171)	(938)
Net cash flow (to) / from operating activities	**7,008**	**(881)**

32. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Sale of goods with variable consideration

Some contracts for the sale of goods provide customers with volume rebates. Under NZ IFRS 15, volume rebates give rise to variable consideration.

- Volume rebates

The Group provides retrospective volume rebates to certain customers on the quantity of product purchased during the period. The rebate is charged at time of settlement. Therefore the Group does not see the need to recognise a refund liability due to timeliness of the transaction.

(b) Contract balances: contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or when the payment is due (whichever is earlier). Contract liabilities are revenue when the Group performs under the contract.

The Group recognises revenue from the following major brand sources:
- Ōra King
- Regal
- Southern Ocean
- Omega Plus
- New Zealand King Salmon

(c) Performance obligations

Information about the Group's performance obligations is summarised below:

Delivery to customer

The performance obligation is satisfied upon delivery of salmon products to the customer, and payment terms generally range between cash on delivery and 20th of the month following invoice date.

On collection

The performance obligation is satisfied upon collection of salmon products by the customer and payment terms are generally on collection.

Receipt into store

The performance obligation is satisfied upon delivery of salmon products when receipted into the customer's store and payment terms are generally on the 20th of the month following invoice date.

CIF, into hold

The performance obligation is satisfied upon delivery of shipping documents including either the bill of lading or way bill dependent on transportation mode. Payment terms generally range between 7 days from invoice date and 20th of the month following invoice date.

Revenue by Product group	2022 12 months $000	2021 7 months $000
Whole fish	88,519	46,057
Fillets, Steaks & Portions	35,418	18,606
Wood Roasted	14,099	8,555
Cold Smoked	26,522	16,504
Other	9,972	5,517
Total revenue by product group	**174,530**	**95,239**

Revenue by Brand	2022 $000	2021 $000
Ōra King	61,477	34,326
Regal	33,922	19,502
Southern Ocean	9,928	6,203
Omega Plus	2,859	1,408
New Zealand King Salmon	66,344	33,800
Total revenue by brand	**174,530**	**95,239**

Revenue by geographical location of customers	2022 $000	2021 $000
New Zealand	69,085	41,786
North America	67,626	34,671
Australia	11,816	6,385
Japan	7,807	5,023
China	1,737	1,021
Europe	10,709	2,793
Other	5,750	3,560
Total revenue by geographical location of customers	**174,530**	**95,239**

Sales net of settlement discounts to one major customer for the period 1 February 2021 to 31 January 2022 totalled $19.08m or 10.93% of total gross revenue (7 months to 31 January 2021 one major customer totalled $10.7m or 11.24% of total gross revenue).

33. SEGMENT INFORMATION

Segment results

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

Segment performance - Refer also Note 32 for detail of disaggregation of revenue by product, brand and geographical area.

Independent auditor’s report to the Shareholders of New Zealand King Salmon Investments Limited

Opinion

We have audited the financial statements of New Zealand King Salmon Investments Limited (“the company”) and its subsidiaries (together “the group”) on pages 2 to 26, which comprise the consolidated statement of financial position of the group as at 31 January 2022, 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 2 to 26 present fairly, in all material respects, the consolidated financial position of the group as at 31 January 2022 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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.

Ernst & Young performs agreed upon procedures in relation to 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. We have no other relationship with, or interest in, the group.

Material Uncertainty Related to Going Concern

We draw attention to Note 2c in the financial statements, which indicates that the group was in breach of its bank covenants at balance date and is dependent on the success of a proposed equity raise, or obtaining funding by alternative means, to enable it to repay its bank loans. In addition, it may need to obtain additional funding to finance its operations. As stated in Note 2c, these events or conditions, along with other matters explained in Note 2c, indicate that material uncertainties exist that may cast

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significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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.

Impairment assessment

Why significant	How our audit addressed the key audit matter
Prior to its impairment, the consolidated statement of financial position included goodwill arising from business combinations of \$39.3 million (2021: \$39.3 million). An impairment test of the carrying value of goodwill is required annually and as a result of this, along with other indicators, an impairment assessment was conducted at year end. The group has recorded an impairment of the full amount of goodwill of \$39.3 million and an additional impairment of other assets of \$14.4 million. The recoverable amount of a cash generating unit ("CGU") is the higher of fair value less costs to sell (FVLCS) and value in use (VIU). The group has determined that it has a single CGU. Impairment is a key audit matter because the group's year end assessment of recoverable amount involves significant judgements related to future cash flow forecasts, discount rate and terminal growth rate assumptions. These are key inputs into the group's discounted cashflow (DCF) model used to assess the VIU of the CGU and so its recoverable amount.	In obtaining sufficient, appropriate audit evidence we: ▸ evaluated the appropriateness of the group's single CGU determination; ▸ considered the group's value in use assessment. This included the following: • agreed relevant DCF inputs to board approved budget and forecasts and compared these with historical actual results taking into account proposed changes in the group's strategy. We also considered the accuracy of the group's previous forecasts; • tested the mathematical accuracy of future cash flow forecasts and discounting applied; • involved our valuation specialists in assessing the discount rate and terminal growth rate applied, as well as benchmarking components of the group's forecasts against other market information;

Disclosures in relation to impairment of goodwill and other assets are included in Note 5 to the group financial statements.

- considered the appropriateness of the adoption of the calculated VIU as the CGU's recoverable amount;
- involved our valuation specialists in performing an assessment of FVLCS based on market capitalisation;
- evaluated the assessment of the carrying value of the CGU prior to impairment, the resulting impairment charge and its allocation to goodwill and other assets; and

We also considered the appropriateness and sufficiency of impairment related disclosures included in the group financial statements.

Biological assets

Why significant

At 31 January 2022, the consolidated statement of financial position includes biological assets (live salmon) of $75.0 million with an estimated biomass of 6,015 metric tonnes measured at fair value less costs to sell. This includes a fair value increase above cost of $24.4 million.

This is a key audit matter because the group'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:

- year end biomass and future growth to harvest;
- future fish mortalities;
- forecast sales prices;
- forecast costs to harvest date and of sale;
- forecast sales product mix; and
- use of a weight-based method, to recognise the estimated fair value gain at balance date

Disclosures in relation to biological assets are included in Note 15 to the group financial statements.

How our audit addressed the key audit matter

In considering the valuation of live salmon we:

- evaluated the appropriateness of key estimations and assumptions and their impact on the valuation assessment;
- agreed key estimation inputs used by the group in their valuation model to source data and to board approved forecasts;
- involved our valuation specialists in the evaluation and testing of the mathematical integrity of the calculations in the valuation model;
- challenged the accuracy of model inputs compared to historical actual values and considered the accuracy of previous forecasts; and
- considered post year end harvest mortality data to assess the impact, if any, on the forecasts used in the valuation model.

In considering live salmon biomass at year end we:

- tested controls over fish count recording at the point of transfer from the freshwater hatcheries to sea pens;
- considered the key inputs used by the group 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 group in the livestock recording system to source data;
- performed analytical procedures over feed conversion to biomass; and
- considered the accuracy of historical forecasts of average fish weight and quantity recorded in the livestock recording system to actual fish harvest data.

We also considered the appropriateness and sufficiency of biological assets 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 the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/. This description forms part of our auditor's report.

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

Ernst + Young

Chartered Accountants
Christchurch
13 April 2022