



New Zealand
King Salmon

ANNUAL REPORT
2022



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Óra King salmon by Shaun Clouston of Logan Brown, Wellington



JOHN RYDER
Chair



GRANT ROSEWARNE
Managing Director & CEO

Chair & CEO Report

The 2022 financial year has been challenging for the company due to issues with the wider environment, including increased mortalities and the ongoing Covid-19 pandemic. This has caused us to reassess our strategies to create a more secure platform for future expansion. The company is undergoing a capital raise to strengthen its balance sheet and we are initiating structural changes to our farming model to combat rising fish mortalities. We are confident these initiatives will put us on a better footing and we remain positive about the future.

FINANCIAL UPDATE*

The main aspects of our financial results were as follows:

- Net loss after tax of \$73m, following a difficult year including an increase in sea farm mortalities, continued freight headwinds and impairments to plant, equipment and intangibles.
- Sales volumes increased from 6,380mt FY21 (12 months) to 7,672mt FY22 (an increase of 20.3%).
- Revenues increased from \$152.3m FY21 (12 months) to \$174.5m FY22 (an increase of 14.6%).
- Mortality event in January 2022 increased mortality cost by \$4.7m (29%) from \$16.1m in FY21 (12 months) to \$20.8m.

- Pro-forma EBITDA for FY22 was \$6.7m, a decrease of \$8.8m (or 56.7%) on FY21 (12 months) of \$15.5m. This result includes \$13.5m of forex close-outs included in other income.
- Following an annual impairment test, \$59m of impairments have been recognised across Goodwill (\$39m) and plant, equipment, and intangibles (\$20m).

Ongoing supply chain disruptions, soaring freight charges and fish mortalities continue to impact our business. Freight costs on a per kg basis increased during FY22 due to ongoing disruptions to the global logistics environment. Our hospitality customers also continue to be affected by lockdowns and social disruptions.

*As the FY21 result is for a 7-month period following the Group's change in balance date from June to January, the FY21 numbers have been restated in this commentary to reflect a prior comparable period of 12-months.

MORTALITIES

Unusually early elevated seawater temperatures were a major factor behind high mortality rates, with the marine heatwave during summer associated with a La Niña event, resulting in a \$20.8m negative impact on profitability.

The company has traditionally farmed salmon all year round in the Pelorus and Queen Charlotte Sounds, as well as Tory Channel, in the Marlborough Sounds. The bulk of mortalities have occurred when farming through the summer in the Pelorus or Queen Charlotte Sounds. To combat the continuing effects of climate change, we plan to follow three farms in the Pelorus Sound. This will result in reduced harvest volumes but lower mortality and associated costs, thereby giving us a more stable, predictable operation. These measures will result in a forecast decline in production in FY23 and FY24 to 5,700 and 6,500 tonnes respectively, with a 200-tonne predicted increase in 2025. This reduction in output will be partially offset by a rigorous review of overheads and a downsizing of the company.

The hearing for our open ocean Blue Endeavour application, 7km north of Cape Lambert in the Cook Strait, is due to be completed at the end of April and we are hopeful for a decision mid-year. This project is expected to have multiple benefits including an increase in scale of operations, reduction in operating costs and improvements in fish health.

If Blue Endeavour is approved, the three fallowed farms in the Pelorus Sound will be used as nursery sites for nine months of the year, representing an efficient use of assets, capital and resources. The application is aligned with the Government's Aquaculture Strategy which was launched in late 2019 and now has an accelerated objective of the industry achieving \$3 billion in revenue by 2030.

GOVERNMENT SUPPORT

It was heartening to see the Government acknowledge some of the reasons for our current difficulties in a media release (8 February 2022) when Minister David Parker said our situation was a 'sharp reminder that resource management system reforms are needed to deliver better management for aquaculture.'

The release went on to say: *'The reforms we are putting in place will deliver a planning system that provides for growth in the sector, sets environmental standards that ensure sustainable practices, and delivers processes that enable adaptation to a changing environment.'*

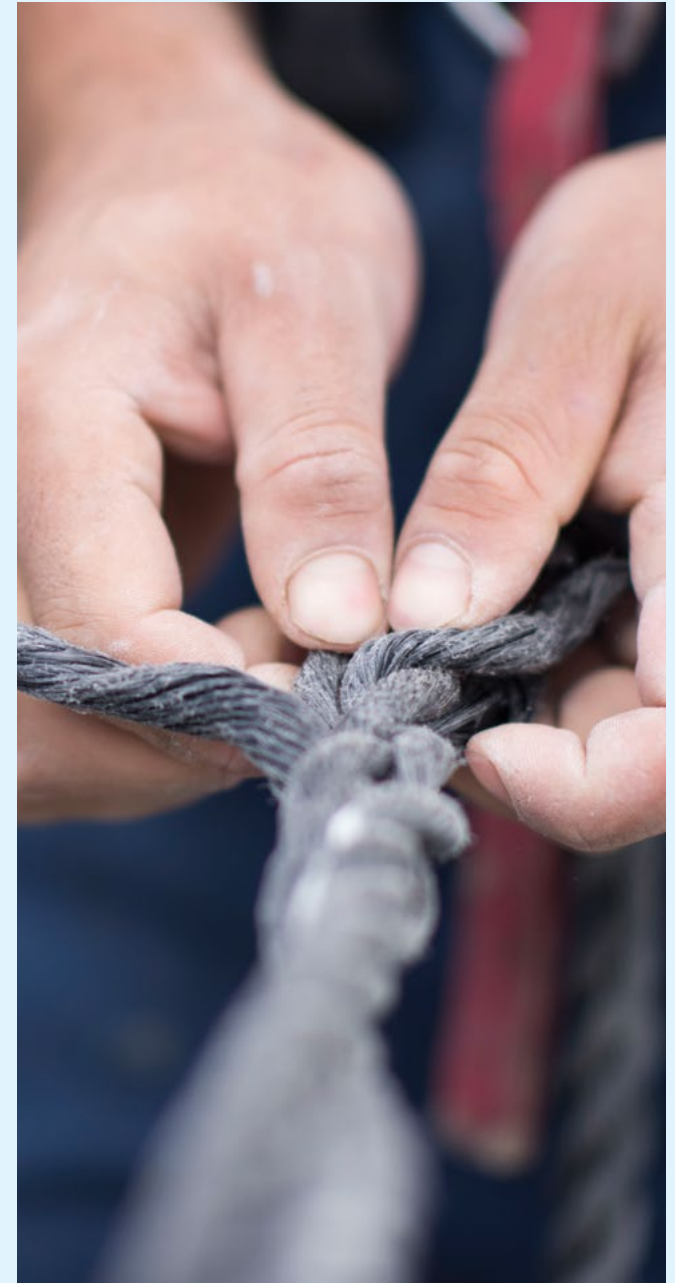
We will also ensure a fair return to New Zealanders through the use of marine space for marine farming. The changes will ensure that none of these benefits come at the expense of sustainability.

We have one of the world's largest Exclusive Economic Zones, with a marine area more than 15 times larger than New Zealand's land area. That means we can gain the benefits of a thriving, sustainable aquaculture sector while allocating a relatively small part of our marine environment to marine farming.'

Continued support from the New Zealand government is vital to achieving our future farming objectives and our national goals for aquaculture.

EQUITY RAISE

Due to the current trading uncertainties and to take the company through to its next expansion phase, the Board has decided to undertake an equity raise in the form of a pro rata renounceable rights offer. Post the rights offer, the company will have no net bank debt and liquidity of \$13.2 million, providing significant flexibility as we transition our farming model and navigate the ongoing impacts of the Covid-19 pandemic.





BUSINESS UPDATE

Our Tentburn freshwater facility near Christchurch is part way through a three-phase upgrade project. The newly built 'First Feeding Facility' is now operational, in addition to a new incubation room which will enable lower stocking densities. We continued to upgrade and invest in infrastructure across seawater; construction is underway on a new feed barge called Kai Hāmana for our Clay Point farm in the Tory Channel, while Blenheim-based engineering firm Cuddon has been building new pens for our Otanerau farm in the Queen Charlotte Sound.

Our strong brands continue to add value. As part of our brand diversification, we celebrated the launch of Ōra King Keiji. Based on the prized Japanese Keiji, this is a premium sashimi or plate-size salmon enjoyed for its sweet flavour and delicate texture. We also launched our Ōra King documentary globally, in order to tell our unique story during the pandemic. This was well received by chefs and customers. A noted success was receiving two awards for Regal Double Manuka Wood Roasted King Salmon at the prestigious soft™ Awards in North America. We also launched a new Regal dip into the New Zealand market and our smoked salmon is now listed in Coles, a major supermarket chain in Australia.

Underpinning our business is a commitment to sustainability and ocean health. We continue to implement sustainability actions across the business including packaging improvement, waste to landfill reduction and minimisation of water/energy usage. In addition to working with independent global organisations to achieve rigorous third-party certifications, we have also completed a double materiality study. This study assessed both financial and impact materiality, to highlight the highest priority issues for the business to address in the medium-long term. Key findings included 'innovating to lower environmental impacts', 'protecting against the physical impacts of climate change', 'growing the potential of NZ aquaculture', and 'safeguarding our oceans'. To standardise reporting on carbon and other key environmental criteria for salmon farming, we published a third-party approved and verified Environmental Product Declaration (EPD) which was the first food EPD published in Australasia.

JOHN RYDER
Chair

GRANT ROSEWARNE
Managing Director & CEO

SUMMARY

The Board and Management are deeply disappointed with the results for the year and the significant mortalities experienced. However, we remain optimistic about the future. Our efforts to identify and counter the factors that aggravate the climate effect on our King salmon have been increased. Concurrently, we will focus on sustainable farming practices that utilise optimal available waterspace. Blue Endeavour provides further opportunity for a sustainable increase to our scale and value proposition. In the interim, we are taking steps to fortify our balance sheet and set a strong foundation for the future.

Our company remains the world's largest producer of the premier King salmon species with brands that continue to attract premium prices across the globe. The enduring strength of market demand is comforting, and we are confident in our ability to continue having a successful business and reward the support and loyalty of our stakeholders.

The Board would like to take this opportunity to acknowledge and thank the entire New Zealand King Salmon team for demonstrating resilience and unwavering commitment during a challenging warmer summer, in addition to the Covid-19 disruptions. Our team members have enabled us to navigate turbulent times and their contributions have been outstanding. We would also like to thank our stakeholders – including our shareholders and customers, who have continued to support us throughout the year.

An underwater photograph of several salmon swimming in clear blue water. The fish are the central focus, with their scales catching the light. The background is a soft, hazy blue, suggesting a deep or clear water environment. The overall mood is serene and natural.

Chair & CEO Report

● **RESULTS AT
A GLANCE**

Farming in Balance

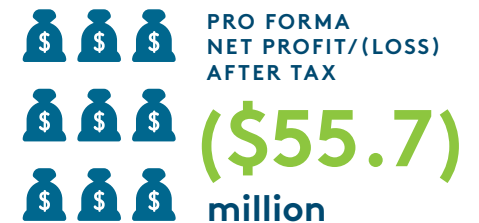
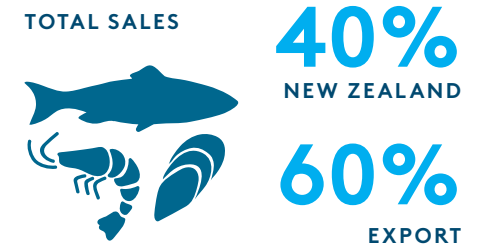
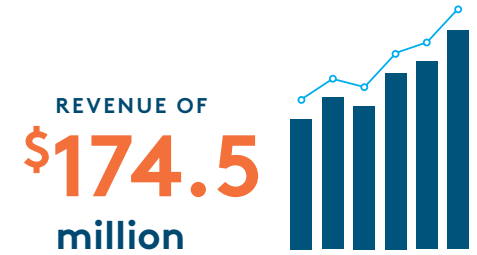
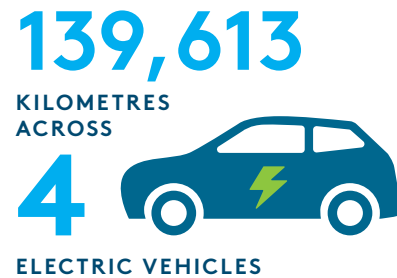
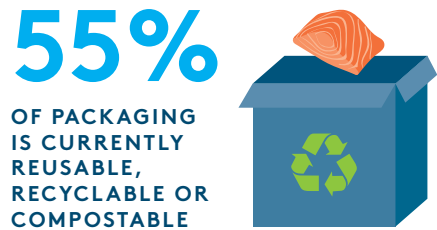
Sustainability

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Salmon Bites



Our Year in Summary

2021

2022

FEB

Commencement of our first full financial year with new balance date

Harvest volumes reduced to increase fish size and rebuild biomass

Our first internal engagement committee is established

MAR

Land and buildings adjacent to our Nelson processing facilities are purchased with a view to expanding our value-added operations

Developed our first Modern Slavery Statement

APR

Launched an internal Go Green Fund for team member involvement in sustainability

New team member talent referral policy introduced

MAY

Ōra King documentary launched globally

Regal Double Manuka Wood Roasted King Salmon awarded the top honour in specialty food category with two wins at sofi™ Awards in North America

JUN

New performance management system is rolled out to team members

Vitamin D supplements distributed to night shift team members

JUL

GM Food Safety & Quality receives MPI's 2021 'Significant Contribution to Food Safety' award

Rolled out an internal communications app to team members

AUG

BAP 4-star certification achieved

Internal Go1 Training platform introduced to enhance team member development

GM Food Safety & Quality receives a 'Longstanding Service Recognition' from Seafood New Zealand

SEP

Pilot recycle bin system is introduced at Head Office

King salmon product is donated to Top of the South healthcare vaccination teams

Te Reo online learning platform rolled out to selected team members

OCT

Published our first Environmental Product Declaration

The first of the Regal dips range is launched in NZ retail

NOV

Carol Chen is appointed as a Non-Executive Director on our Board

Signed the Oceans for Climate Declaration

Annual team survey results show a positive increase in engagement

DEC

Omega Innovations team moves into dedicated premises and commences treats manufacturing and packing

JAN

Regal Maple Smoked King Salmon wins the Supreme Taste Award from the International Taste Institute, Belgium

We publish our first comprehensive Covid-19 policy and procedures as NZ moves to red in the traffic light system

Performance Highlights

KEY DRIVERS

- Movement away from single year class farming model and higher sea farm mortalities
- Clearance of excess frozen whole fish inventory at discounted prices (excess inventory occurred due to Covid-19 disruptions in FY21)
- Continually elevated freight costs
- Early close out of FX contracts in 1H22
- Impairments of \$59m across Goodwill (\$39m) and plant, equipment, and intangibles (\$20m)

FISH PERFORMANCE

Fish performance continues to be a key focus for the business, changes to the farming model are required to ensure our sustainability over the long term.

- Warm waters during the summer period continue to heavily impact mortality
- Performance outside of the key summer period continues to be strong across all farms
- Significant investments in fish health have not materially helped to prevent summer mortality issues to date
- FY22 saw significant learnings in this area, further developments have occurred with the first rollout of a new autogenous vaccine as part of our ongoing immunisation programme

BIOLOGICAL PERFORMANCE¹

	FY18	FY19	FY20	FY21	FY22
G&G Harvest Volume (t)	8,374	7,582	7,599	7,805	7,382
Average G&G Harvest Weight (kg)	4.22	4.40	3.77	4.55	3.50
Feed Conversion Ratio (FCR)	1.82	1.80	1.72	1.81	1.87
Closing Livestock Biomass	6,387	7,026	7,014	6,864	6,015
Feed Cost (\$/Kg of feed)	2.24	2.38	2.52	2.49	2.39

1. Financial years have been restated to 1 February – 31 January,

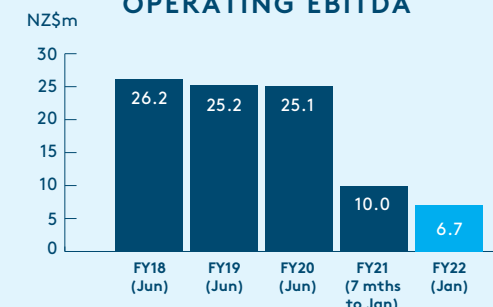
GROUP FINANCIAL PERFORMANCE

NZ\$000s	Pro-Forma*			GAAP		
	FY22	FY21 ²	% Chg.	FY22	FY21*	% Chg.
Volume Sold (t)	7,672	4,109	87%	7,672	4,109	87%
Revenue	174,530	95,239	83%	174,530	95,239	83%
Gross Margin	21,563	20,381	6%	12,743	14,153	-10%
Gross Margin %	12%	21%		7%	15%	
EBITDA	6,698	9,963	-33%	(15,593)	(2,009)	676%
EBITDA %	4%	10%		-9%	-2%	
EBIT	(60,935)	4,975	-1325%	(84,973)	(7,978)	965%
NPAT	(55,715)	2,347	-2473%	(73,202)	(7,079)	934%

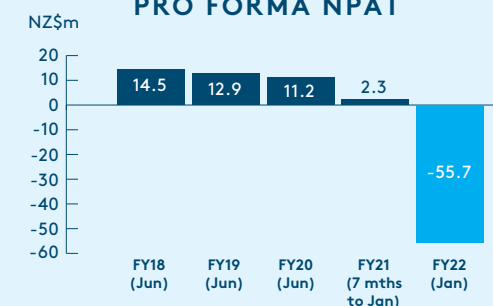
2. The FY21 result is for a 7-month period following the Group's change in balance date from June to January

*Certain financial information included in this report is non-GAAP financial pro-forma basis. The pro-forma adjustments are described in the Appendix on page 103.

PRO FORMA OPERATING EBITDA



PRO FORMA NPAT



A smiling man in a red life vest stands on a boat deck, leaning on a metal railing. The background shows a large fishing vessel with a satellite dish and a netted area. The overall scene is set against a blue-tinted background.

Chair & CEO Report

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Blue Endeavour

OUR PROPOSED OPEN OCEAN KING SALMON FARM

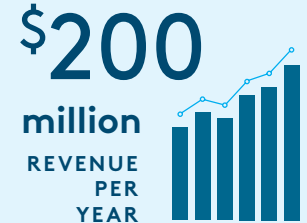
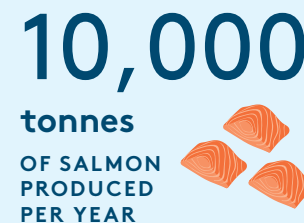
Currently all salmon farms in New Zealand are inshore and close to land. To achieve sustainable growth, farming in the open ocean is the next step. New Zealand's exclusive economic zone in the ocean is more than 15 times larger than our land area which presents significant potential.

We have spent over four years researching and planning with industry experts to develop an open ocean salmon farm which we have named Blue Endeavour.

FY22 has been a year of significant milestones for our Blue Endeavour project with the application hearing underway. We expect a decision from the independent commissioners in the first half of FY23 as to whether consent will be granted to farm King salmon in the open ocean.

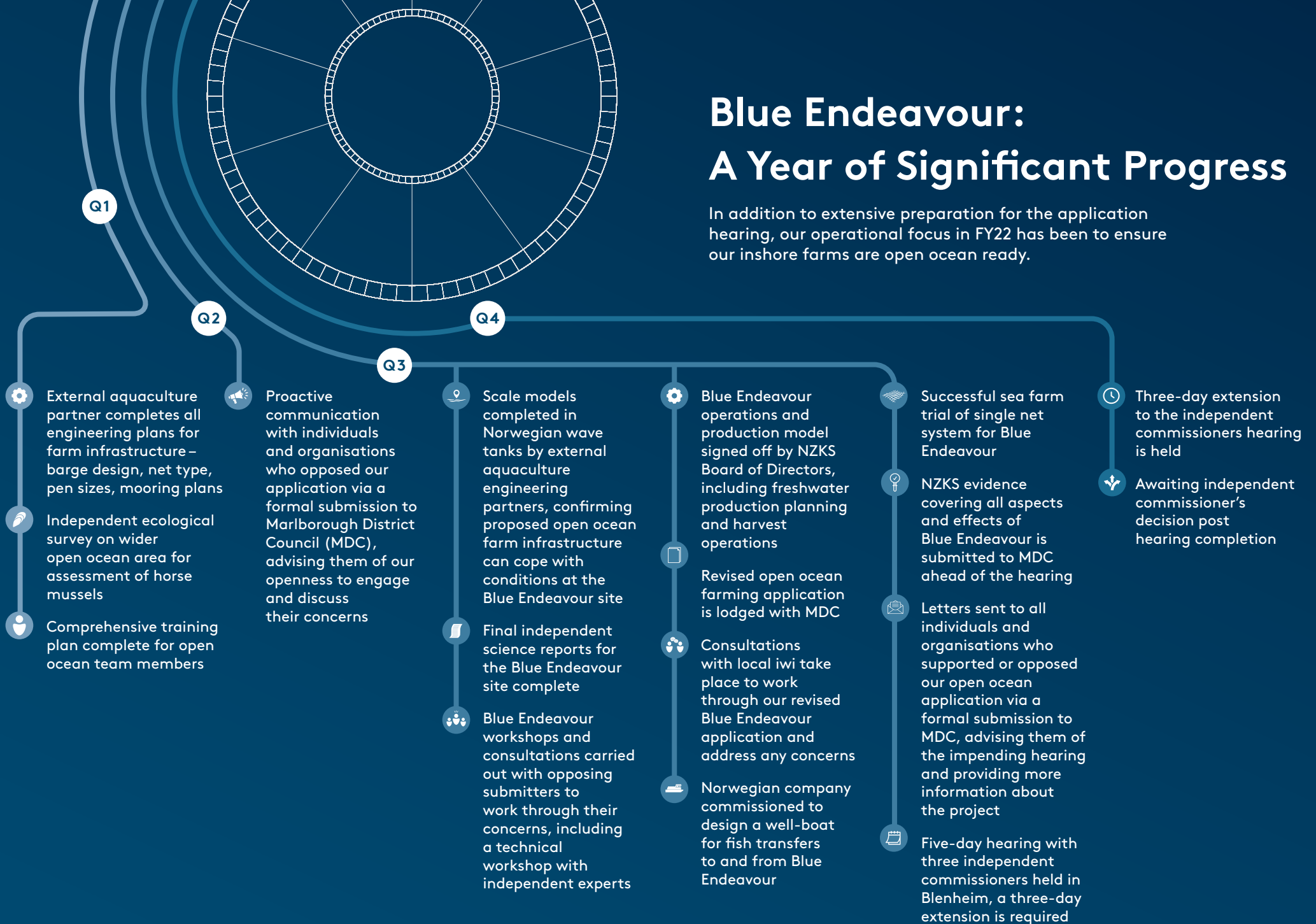
IN SUMMARY

- A new open ocean salmon farm in the Cook Strait, the first of its kind in New Zealand
- Expansion of employment opportunities in Te Tau Ihu (Top of the South)
- Developed in conjunction with independent scientists to meet strict environmental standards
- A sustainable and low-impact method of producing healthy, nutritious protein
- A key contributor to achieving the Government's aquaculture strategy target of \$3 billion by 2030
- Learn more about Blue Endeavour by watching our [video online](#)



Blue Endeavour: A Year of Significant Progress

In addition to extensive preparation for the application hearing, our operational focus in FY22 has been to ensure our inshore farms are open ocean ready.



Aquaculture Operations



FRESHWATER

Our three freshwater facilities located throughout the South Island collectively breed, hatch and grow smolt for our seawater operations.

This year the focus was on upgrades to our Tentburn hatchery near the mouth of the Rakaia River in South Canterbury.

We are part way through a three-phase project to upgrade facilities at Tentburn. The newly built 'First Feeding Facility' is now operational with fish due to enter the facility in early FY23. Each of the 15 tanks are equipped with an oxygen cone to optimise the amount of oxygen in the incoming water. Before entering the oxygen cone, water is pumped through a bespoke

degasser device improving cost efficiency and reducing the amount of oxygen required.

The new incubation room is also operational. Eggs are hatched using smaller fibreglass hatching baskets allowing lower stocking density during incubation and simplifying the picking process. A newly designed aluminium frame that allows young fish to move freely has significantly improved efficiency and survival.

Previously unused harvest ponds have also been refurbished and fitted with screens and dam boards. They are now fully operational, with capacity for 5500kg of biomass, taking pressure off raceways. These ponds have the potential to hold and grow stock for our Omega Innovations division.

SEAWATER

Our nine Marlborough Sounds farms are situated in the Tory Channel, Queen Charlotte Sound and Pelorus Sound.

We have continued to upgrade and invest in infrastructure during FY22. Construction is underway on a new feed barge called Kai Hāmana for Clay Point in the Tory Channel. This purpose-built vessel will hold up to 320 tonnes of feed and is being fitted with a floating boarding platform making loading materials much easier.

We have also commissioned a new net cleaning vessel called Ika Mā, which includes a remote operated, state of

the art net cleaner. This cutting edge technology is a first for NZKS and will increase our net cleaning efficiency and capacity. Both Kai Hāmana and Ika Mā are scheduled for delivery mid FY23.

Blenheim-based engineering firm Cuddon have been building four new 40mx40m pens for our Otanerau farm in the Queen Charlotte Sound. This project has helped provide work for Cuddon's 12 apprentices and the NMIT and Marlborough Boys' College work experience programmes. Our teams have been preparing the old pens for dismantling after which local marine and engineering company Picton Manufacturing will gas cut them for re-use or recycling.





FISH WELFARE

Our salmon are treated to the highest standards of care with fish health and wellness a priority.

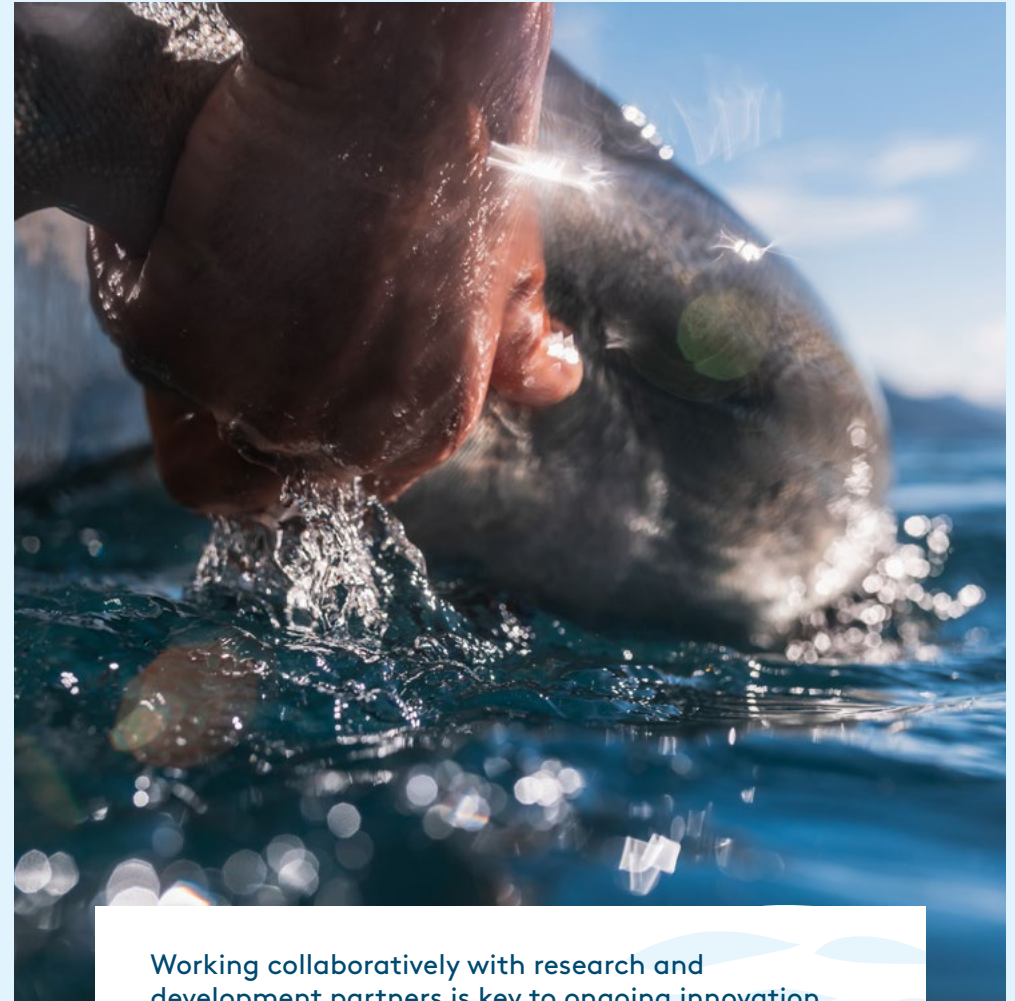
Our Fish Welfare team have successfully implemented two new vaccines as part of our immunisation programme during FY22.

Developed in conjunction with world-leading fish health scientists, they have been tailor-made for our King salmon and focus on disease prevention and improved resilience in seawater.

Our team of specialists immunise approximately 2.7 million fish each year by hand while they are young, before they are transferred to seawater.



The team have also introduced a new bath treatment for eggs to proactively manage fungus and a hormone treatment to improve spawning success in broodstock.



Working collaboratively with research and development partners is key to ongoing innovation and development of solutions in our industry. During FY22 we continued partnerships with the Cawthron Institute, Massey University, the Ministry of Primary Industries, NIWA and New Zealand-based diagnostic laboratory Gribbles on projects to learn more about biofouling, King salmon nutrition, spinal curvature and husbandry in recirculating aquaculture systems.

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Our Material Sustainability Issues

Over the past 12 months we have worked with key internal subject matter experts, the Board and Senior Leadership team, in addition to industry experts to identify and rank the material sustainability issues that are facing our organisation.

DOUBLE MATERIALITY:

Environmental, Social & Governance (ESG) risks and opportunities have financial consequences, so we have identified our sustainability issues that are material from both an impact and financial sense. We are amongst the first cohort of companies globally to implement double materiality into our corporate strategy and disclosure.

In line with previous materiality research, our most material issues remain centred around our core mission of growing high quality King salmon, whilst respecting the environment and the communities we live and work in.

The findings also highlight the need to build closer relationships with our key partners to enhance our journey to the next stage of open ocean farming, including advocacy for enabling regulatory environments.

In addition to mitigating against the effects of climate change in our existing operations, a proactive sustainability approach to improving our performance is an important part of future business strategy.



Both 'impact' and financial materiality

- Innovating to lower environmental impacts (ENV)
- Protecting against the physical impacts of climate change (CLI)
- Growing the potential of NZ aquaculture (NZAQ)
- Positioning ourselves for an enabling regulatory environment (REG)
- Building openness, trust and accountability in our relationships (REL)

'Impact' Financial materiality

- Navigating possible sources of competition (COMP)
- Evolving expectations in destination markets (DEST)
- Managing geographic and supply chain constraints (GEO)

Financial materiality

- Safeguarding the oceans (OCNS)
- Taking care of our people (PPL)

Sustainability topics

- Strengthening cyber security (CYBR)
- Protecting against modern slavery (MDS)

Fulfilling salmon aquaculture's potential as a positive force for people and planet

We view tackling our materiality findings as an exciting opportunity for growth and have updated our sustainability strategy to reflect our priority areas.

Creating a Ripple of Change

Feeding the world with a low impact, high nutrition protein



Enhancing the livelihood and well-being of our teams



Contributing to prosperity within our community



PEOPLE

PLANET

Reducing our impact through **climate action**



Applying **circular thinking** in everything we do



Caring for water in our region



Creating a Framework for the Future

The risk climate change poses to our business is fast becoming one of the most critical issues our organisation faces. Climate change has already directly impacted our operations with warming regional seas, floods and drought. In recent years, we have experienced a significant cost in mortality and downgrades associated with warmer temperatures at sea farms.

Whilst salmon is naturally a low impact, high nutrition protein, we still have a responsibility to understand our own footprint and how we can continue to reduce our impact. FY22 has been a year of gathering operational data from across the entire business and establishing baselines for our climate-related benchmarking, this will allow

us to move towards more quantifiable targets and focused actions in future years.

In parallel, there are increasing mandatory non-financial and financial reporting requirements relating to climate risk being put in place worldwide. We are now preparing to report under the impending TCFD guidelines for NZX listed companies.

The Government Aquaculture Strategy 2021 Implementation Plan 13 also reinforces the expectation for climate action in our sector, highlighting repeatable methods of measuring environmental performance as a primary outcome requirement for ocean farming approval.

Recognising Sustainability

To independently verify our sustainable operating practices, we are regularly audited and assessed by expert third-party organisations. Towards the end of FY22 we made the decision to exit from the pilot ASC programme in order to focus our efforts on the more suitable BAP certification.



SUSTAINABILITY ACTIONS



Our commitment to the ten principles of the UN Global Compact

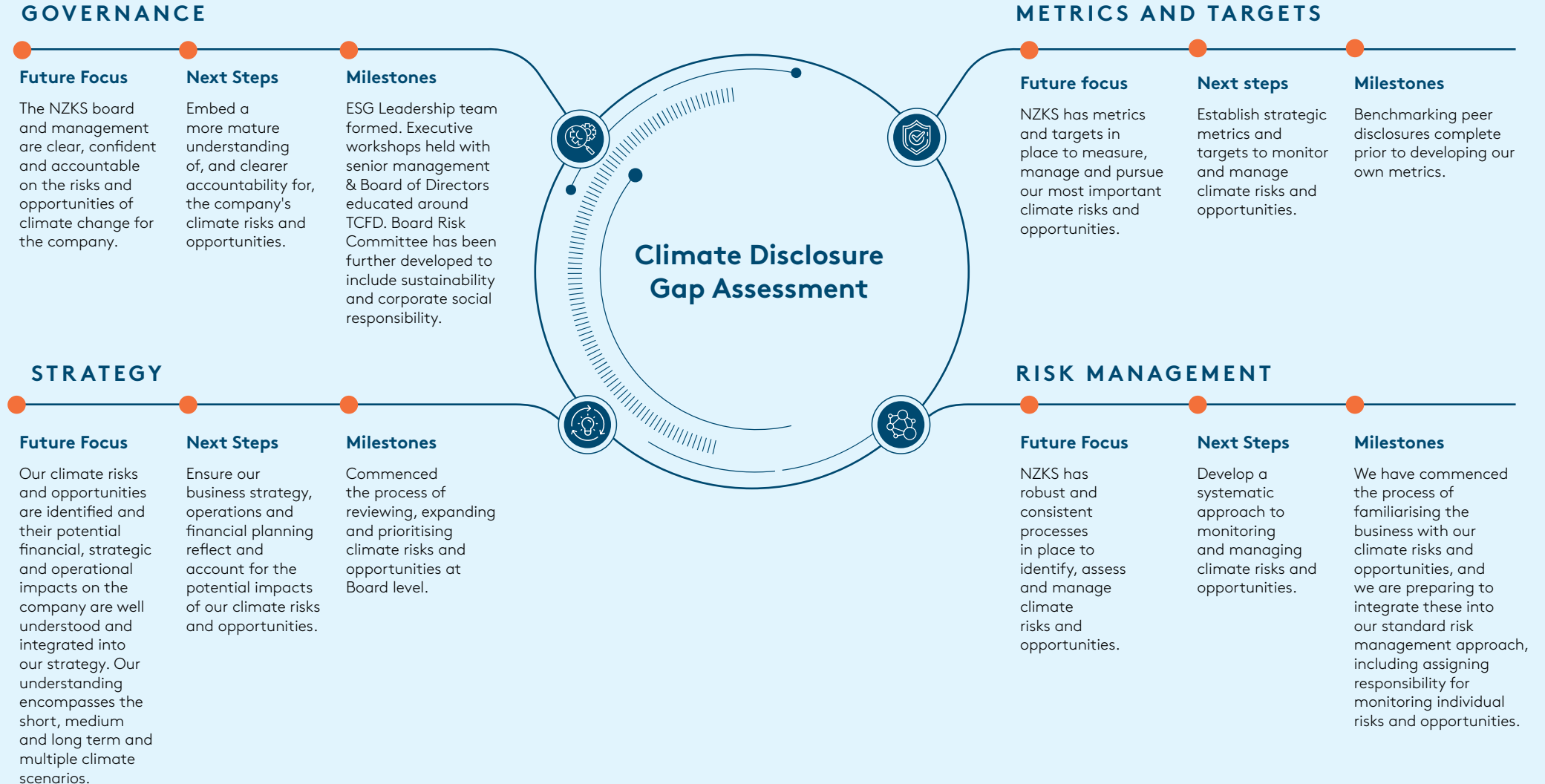
New Zealand King Salmon is a participant in the United Nations Global Compact, established to drive business awareness and action in support of achieving the UN's Sustainable Development Goals by 2030. The Global Compact encourages participants to adopt a principles-based approach to doing business more sustainably.

This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.

Our aim is to continuously incorporate the Ten Principles of the UN Global Compact into strategies, policies and procedures, fulfilling our basic responsibilities to people and planet, but also setting the stage for more detailed sustainability work in our own industry.

Task Force on Climate-Related Financial Disclosures (TCFD)

A climate disclosure gap assessment was conducted using the TCFD framework to assess our readiness to disclose. Where gaps were detected in our approach to climate, potential next steps have been identified with some key milestones addressed in FY22.



A Verified Measurement for Climate Impacts

Our Lifecycle Analysis (LCA) completed in FY20 identified the three main sources of carbon emissions for our organisation as:

1. Feed Conversion Ratio
2. Feed Composition
3. Air Freight

Increased efficiencies in these areas continue to be a focus for us, however, when benchmarking against other salmon farmers globally, it was highlighted that LCA results are not always comparable due to inconsistent LCA methodology.

Therefore, in FY22 we led the way in creating a standard, credible, consistent method for the global salmon industry to measure its environmental footprint.

We collaborated to create the world-first Product Category Rules (PCR) for global salmon production. We then used the PCR to develop our first Environmental Product Declaration (EPD).

An EPD assesses a product across a range of environmental indicators, including its potential to emit carbon and deplete natural resources. As EPDs are verified by an independent third-party, they are a reputable, trusted source of information and can be benchmarked against other EPDs.

We are the first food company in Australasia to complete an EPD and the first King salmon company globally.

[View our EPD online here.](#)



APPLYING CIRCULAR THINKING IN EVERYTHING WE DO

We have always strived to achieve 100% usage of our salmon. We are closest to achieving this goal in our processing environment where 97% of

our fish is utilised. However, we believe there are further opportunities to achieve 100% salmon usage across the wider business. We expect the definition of this goal to expand in future as we gather further data and explore the environmental and technological challenges we face.

100% SALMON USE: LIFE CYCLE STAGES TO CONSIDER





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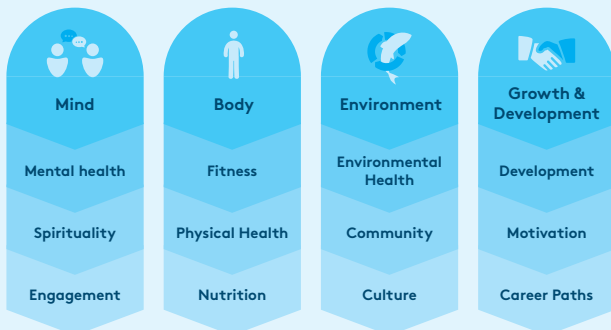
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People, Culture & Community

OUR PEOPLE & CULTURE

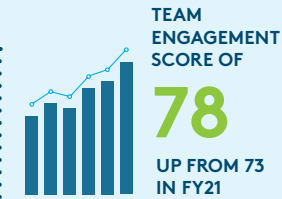
Our people are the key to our success. We recognise the need to attract and retain great talent, continually supporting them in their professional and personal development. Creating an engaged workplace and ensuring the health, safety and wellbeing of our team members is paramount to this.

We have concentrated our efforts in FY22 to create engagement initiatives that align with our newly established wellness pillars and strategy.



The global pandemic has affected all areas of our organisation, including our team members and organisational culture. Our aim is to ensure maximum safety of our people whilst respecting their individual rights, however, this must be closely balanced with maintaining effective operations. Over 90% of our team members are double vaccinated and we have introduced a rapid antigen test policy.

We continue to conduct regular risk assessments and review the requirement for team member vaccination in line with government and industry recommendations. We are prepared for the pandemic-related challenges we will face in FY23 and are confident in our risk based, targeted approach which will be supported by the dedication of our team members.



SUSTAINABILITY ACTIONS

Go Green Fund

In June we launched the Go Green Fund, calling on all team members across the business to share their ideas on how we can reduce our impact. The Go Green Fund is an internal platform which provides money or time away from the business to support projects which help us achieve our sustainability goals. Together we can all play a part in helping to reduce our footprint.



OUR COMMUNITY

We support various organisations, charities and local events across Te Tau Ihu with a particular spotlight on education, youth development and the environment.

We are proud to call New Zealand our home, and we're committed to our communities wherever we have a presence. Although we are a global business, it's important to us that we remain local.

OUR COMMITMENT IN THE COMMUNITY



Contribute to regional economic development



Be a good neighbour and community partner



Participate in flagship local food and wine events



Support youth development to improve life in the community

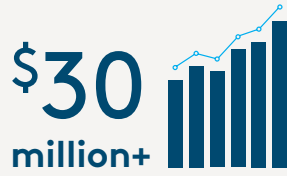


Build constructive partnerships with iwi and local suppliers



Produce the world's finest salmon and make our community proud

HIGHLIGHTS



SPENT WITH TOP OF THE SOUTH SUPPLIERS



NMIT SCHOLARSHIPS GRANTED



RAISED FOR THE NELSON TASMAN HOSPICE THROUGH 'DANCING FOR A CAUSE'



FLAGSHIP FOOD EVENTS RAISING

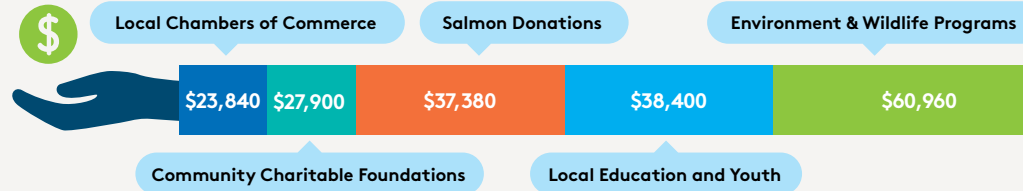
\$8,000

FOR LOCAL CHARITIES



\$188,480

Total donations and sponsorships



Processing and Supply Chain

We have faced an incredibly challenging operating environment throughout FY22. Pandemic-related restrictions have necessitated an agile approach to our processing operations and like many businesses, maintaining the supply chain has been a constant challenge. We have been constricted by reduced freight options, increased freight costs and international logistics congestion, in addition to enduring the domino effect from suppliers due to their own supply chain issues and reduced workforce availability.

However, our team member resilience, hard work and effort in the face of adversity has allowed us to continue in our pursuit of **creating the ultimate salmon experience**. We have taken the necessary steps to mitigate any risks to our processing operations and have continued our focus on improving efficiencies whilst ensuring we align with the Ten Principles of the UN Global Compact. We continue to invest in technology as a means to increasing efficiency across our processing environment.



SUSTAINABILITY ACTIONS

Our EV story

We have added a fourth Electric Vehicle (EV) to our fleet in the past year as part of our ongoing efforts to reduce environmental impact and lead the way in sustainable business practices. Reducing transport emissions is a well-documented part of New Zealand's carbon emissions plan and the initiative supports the change required by business to help address this problem. To date our four Hyundai Kona EVs have done a total of 139,613 green kilometres.



20% increased productivity
on fresh portioning line



Developed 1st Modern Slavery Statement and signed an open letter to the New Zealand Government showing support for a Modern Slavery Act



New centralised procurement policy implemented to streamline procedures and ensure an ethical supply chain



External operational audits passed



OMEGA INNOVATIONS

The Omega Innovations team focus on maximising the potential of remaining raw materials after our King salmon have been processed. Traditionally, remaining raw materials were considered waste; however, we are working towards the ultimate goal of 100% salmon utilisation from nose to tail.

During FY22 we have developed and grown our team, processing facilities and markets. In December the team moved to a new site providing a significant increase in floor space for packing pet food products. With more space we have been able to increase throughput and improve our finished goods inventory to help meet strong demand. As a result, divisional revenue increased by 29%.* Our raw materials business continues to perform very well with sales revenue up 34%* on the previous year.

**Comparison made to 12 months to 31 January 2021*

We are working towards the ultimate goal of 100% salmon utilisation from nose to tail.

SUSTAINABILITY ACTIONS

Packaging Sustainability Group



As a partner in the New Zealand Plastics Packaging Declaration, we have committed to reaching the goal of using 100% reusable, recyclable or compostable packaging across our business by 2025. Whilst striving to achieve this goal, our Packaging Sustainability group continues to remove unnecessary plastic packaging from our products and processes.

In FY22 we removed a black bottom web from our packaging inventory. Replacing this with a recyclable clear option with a reduced micron count will result in an annual reduction of over 3 tonnes of plastic packaging, in addition to beneficial cost and freight savings. Liner bags and gel pads make up a large proportion of our packaging weight, so we have concentrated our efforts on making improvements in these areas.

We are currently investigating water filled pads as a sustainable alternative to gel pads. We removed liner bags from a number of products this year, eliminating approximately 73kg of plastic per annum. In FY23, we will move to a reduced micron liner bag, further reducing our plastic consumption by 5,900kg and creating cost savings of \$18,000 per year.

Our continued focus for FY23 is to remove petrochemical-based plastics from flexible web and pouch packaging and replace these with recycled and bio-based materials. We also intend to join the New Zealand Soft Plastics Recycling Scheme, which will enable more of our existing packaging to be recycled.



FOOD SAFETY

Our pioneering listeria strategy programme is now in its fourth year. We believe we are leading the way in New Zealand with the level of work we are carrying out in this field. Our collaborative approach to knowledge sharing with the wider industry ensures New Zealand as a whole can benefit from our learnings and the listeria management tools we have developed.

2

National Food Safety Awards

24

Strains of listeria identified since the programme began

5

Strains of listeria eliminated and undetected in FY22

DENVER WINS FOOD SAFETY AWARDS

Denver McGregor, our General Manager Food Safety & Quality, has been recognised for his commitment to maintaining a great food safety culture at New Zealand King Salmon, and his contributions to *Listeria Monocytogenes* management in the field.

Denver was presented with the New Zealand Food Safety's 2021 'Significant Contribution to Food Safety' Award from MPI, which recognises a person or group who has helped improve food safety in New Zealand.

He also received 'Longstanding Service Recognition' from industry body Seafood New Zealand, for his dedication and contribution to food safety and most notably the New Zealand King Salmon listeria strategy programme.



“There is no competitive advantage when it comes to food safety, it is crucial to our business, and most importantly our customers.

- Denver McGregor

Resilient Brands

ŌRA KING®

In May the Ōra King story was brought to life on screen in a beautifully shot 35-minute documentary. Launched across New Zealand, Australia and North America, the documentary follows the lifecycle of an Ōra King salmon and includes interviews with several NZKS team members, high-profile chefs and industry partners. Watch it online [here](#).

During the first half of FY22 we launched a global market test of Ōra King Keiji – our interpretation of the famed Japanese Keiji, a premium sashimi or plate-size salmon enjoyed for its unique flavour and delicate texture.

A rare and highly sought-after 15.3kg Tye salmon was sold in North America for \$1,700 in an online auction in February. Purchased via premium retailer Goldbelly, this is the first time a Tye has been purchased by a domestic cook.



MARLBOROUGH KING SALMON

With over 30 years of leadership in the salmon category in New Zealand, Regal is our premium retail brand. In FY22 we launched the first of three flavours of a new Regal Marlborough Hot Smoked Salmon dip across New Zealand retailers. Initial sales have been strong, with two new flavours set to launch in early FY23.

In Australia, Regal wood roasted and cold smoked products were launched into well-known supermarket chain Coles. We continue to expand our presence in Europe with Regal cold smoked products scheduled to launch in selected premium Italian retail stores during the first half of FY23. In the US, Regal Maple cold smoked joined the wood roasted products at retailer Safeways and the new look Regal Beech and Maple wood roasted portions also launched.

A refreshed digital marketing strategy has seen a significant improvement in engagement across all digital platforms.



HIGHLIGHTS

34%

Domestic market share*

70%

Brand awareness among pre-packaged fresh and smoked salmon shoppers in NZ*

\$24.4 million

Total NZ Regal branded sales

\$9.1 million

Total export Regal branded sales

*Tracksuit Brand Health Tracker

Resilient Brands



OMEGA PLUS+
THE SALMON SUPERFOOD

Since launching in FY17, the Omega Plus premium pet food brand has grown year on year across both domestic and overseas markets.

In FY22, we refined our packaging strategy with differentiated packaging across the grocery and speciality retail categories. Our dry and wet food has launched with a fresh look and feel, treats will follow in FY23.

We launched the Omega Plus treats and oil range into North America in the second half of FY22 at Las Vegas pet expo SuperZoo. To support the launch and promote the Omega Plus brand, we featured in a segment on Las Vegas Now TV.

HIGHLIGHTS

40% growth in Instagram followers and Facebook likes

1,500 New sign ups to our email newsletter

With a global surge in demand for premium pet food products and the North American market being the largest in the world, the Omega Plus brand is well positioned for continued success in this market.



Southern Ocean is our value brand, predominantly sold as smoked salmon products into New Zealand domestic channels. Southern Ocean is the second most recognised brand (after Regal) with a **43% awareness**.* During FY22 we saw a refresh of Southern Ocean's packaging and digital channels with updated content across all platforms.

*Tracksuit Brand Health Tracker



NEW PRODUCT DEVELOPMENT

Despite pandemic-related challenges, we continued to launch new products across our brands in both domestic and international markets during FY22.

After extensive testing in the product development stage, we successfully launched the first of three flavours of Regal Marlborough Smoked Salmon dip into retail stores around New Zealand.

A 100g Ōra King Manuka Cold Smoked Salmon product was launched into high-end retail stores across Europe and North America.

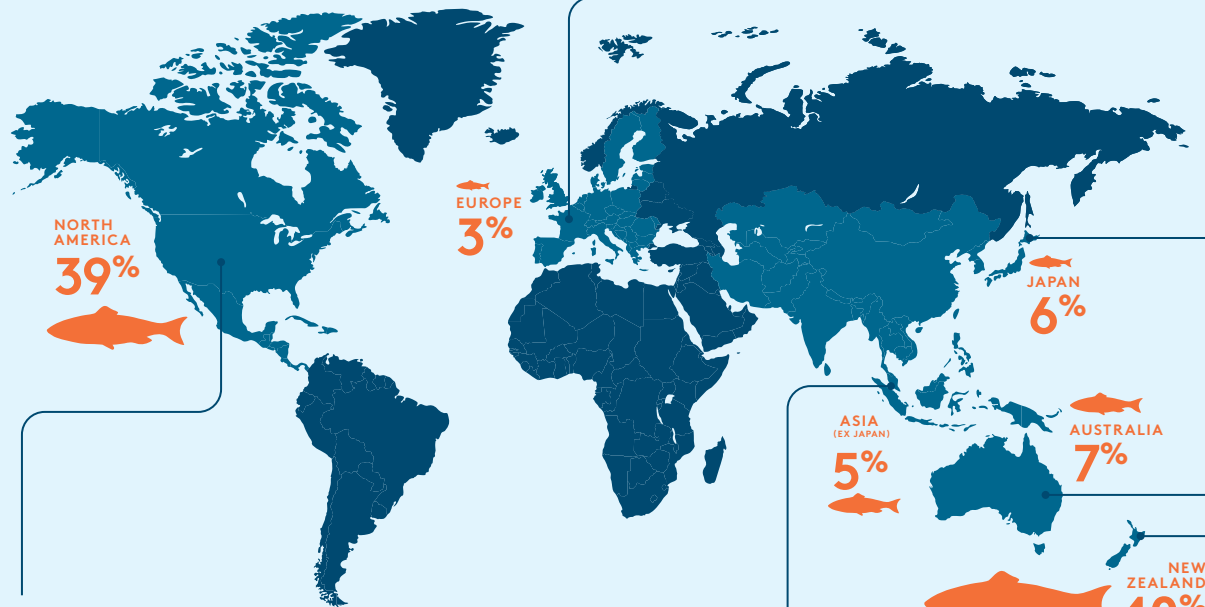
Two new Omega Plus pet food products were also launched in New Zealand. Whilst they incorporate other proteins, both of these products still feature King salmon as the number one ingredient.

IN THE PIPELINE

Trials are underway on new varieties of wood for our smoked ranges in addition to a collection of new flavours and a gourmet product is under development for a chain of restaurants in North America.

Market Dynamics

Our sales model continues to be resilient with a broad market and channel mix. Most markets experienced an increase in volumes following Covid-19 recovery, with premium branded products maintaining a solid price performance.



NORTH AMERICA

As our biggest export market, North America continues to be a solid performer. Post-Covid-19 sales have recovered as alternative channels to market have been developed. We sold a record 1H22 volume to North America whilst implementing price increases in a challenging environment (except for targeted disposal sales at a lower price). Channel diversification and brand depth continues to grow, with in-market brand events recommencing in 1H22. Overall, core business and Regal branded retail continues to grow.

ASIA (EXC JAPAN)

This market is still in a recovery phase due to fluctuations in foodservice demand as a result of Covid-19 restrictions. 2H22 saw a stronger recovery as retail sales increased and foodservice markets commenced its rebound.

EUROPE

We have seen a pleasing growth in sales to Europe due to an increased focus on retail and foodservice business development. Recent new listings and expansion of existing business has increased our volumes by 70% from FY21.*

JAPAN

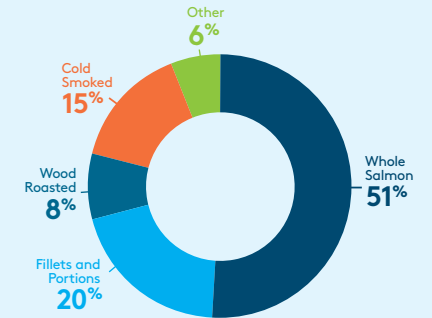
Frozen whole fish contracts and sushi chain store promotions ensured the 1H22 result for Japan was particularly strong. New importers and distributors contributed to further growth in 2H22.

AUSTRALIA

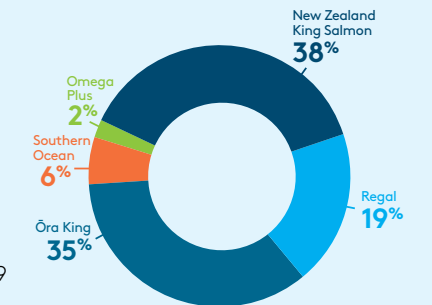
Our Australian business has experienced a solid post-Covid-19 recovery. The addition of Regal listings into Coles supermarkets nationwide has also boosted sales volumes. In-market brand events recommenced with the Ōra King documentary screenings and the premium Noosa Eats & Drinks festival.

NEW ZEALAND

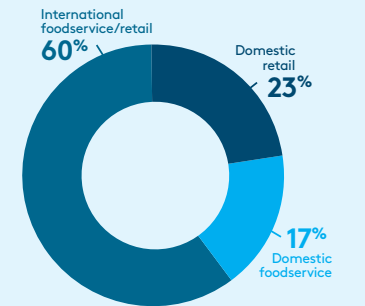
Domestic retail growth remains strong ensuring the market performs consistently. Disruption to foodservice and export markets required an increased emphasis on revival of domestic retail interest and building brand awareness. Reduced promotional activity during 1H22 resulted in a boost in returns. We have expanded our domestic reach for Omega Plus premium pet food with the launch into the Animates specialty retail store. Domestic foodservice growth remains subdued as recovery is taking longer than anticipated.



Sales by Product



Sales by Brands



Sales by Channel

*12 months to January 2021



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Financial Statements

Board of Directors



JOHN RYDER

*Independent Chair
MCom (Hons), FCA, CMA*

John is a chartered accountant and an active investor and company Director. His current roles include Executive Chair of Qestral Corporation Limited and Independent Chair of Direct Capital VI Management Limited. John was inducted into the New Zealand Business Hall of Fame in 2021.



CATRIONA MCLEOD

*Independent Non-Executive Director
GIBio, MSc, PhD, GAICD*

Associate Professor Catriona Macleod is a senior scientist with more than 20 years' experience in marine resource, water and aquaculture management. She has provided recommendations to inform regulatory policy and the development of sustainable aquaculture in Australia and internationally.



JACK PORUS

*Non-Executive Director
BCom, LLB*

Jack is joint Managing Partner of law firm Glaister Ennor which he joined in 1972. He is currently the Chair of Pinnacle Life Limited and a Director of Neil Corporation Limited and Norfolk Financial Management Limited. Jack is a nominated appointee for major New Zealand King Salmon shareholder Oregon Group.



CAROL CHEN

*Non-Executive Director
BBA*

We welcomed Carol Chen as a Non-Executive Director in November 2021. Ms Chen is the Deputy General Manager of Corporate Strategy and Development at China Resources Enterprise (CRE) with responsibility for mergers and acquisitions initiation and execution in the Asia Pacific region. Ms Chen holds a bachelor's degree of Business Administration from the RMIT University, Australia.

This appointment ensures that China Resources Ng Fung Limited will continue to be well represented on our Board.



GRANT ROSEWARNE

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

Grant was appointed CEO of New Zealand King Salmon in 2009. With considerable international sales, marketing and general management experience, Grant has worked across a number of categories including dairy, wine, fresh produce and dry grocery, as well as foodservice segments from cafes to fine dining.



PAUL STEERE

Independent Non-Executive Director

Paul was the founding CEO of New Zealand King Salmon from its formation until 2009 when he became a Director. Paul is currently Chair of Nelson Airport Limited and Director of other substantial private businesses.



CHIONG YONG TIONG

*Non-Executive Director
MCom, BCom*

Yong Tiong is Managing Director of Timbergrow Limited and Maraetai Land Development Limited. He is also a Director of property development company Neil Corporation Limited and is on the Board of Saint Kentigern School in Auckland.

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

Senior Leadership Team



GRANT ROSEWARNE

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

Grant was appointed CEO of New Zealand King Salmon in 2009. With considerable international sales, marketing and general management experience, Grant has worked across a number of categories including dairy, wine, fresh produce and dry grocery, as well as foodservice segments from cafes to fine dining.



FIONA COUCHMAN

General Manager, People and Culture

Fiona joined New Zealand King Salmon after 15 years as Training and Development Manager with Masterpet based in Wellington. She has a passion for helping people achieve their full potential and creating a highly engaged workforce with a focus on developing high performance teams.



GRANT LOVELL

*General Manager Aquaculture
BSc*

Grant has more than 20 years' experience in the aquaculture industry in Australia and New Zealand and has held senior positions across both freshwater and seawater operations including management of breeding programmes, fish health and harvest, feed and production planning.



BEN RODGERS

*Chief Financial Officer
BBS, PGDipAcc*

We welcomed Ben Rodgers as Chief Financial Officer in September 2021. Ben was previously Deputy Chief Financial Officer at Kiwibank based in Wellington.

Prior to that he was Deputy Chief Financial Officer with Z Energy for six years and also gained valuable experience in the UK working for Telefonica UK. His work history also includes companies such as Contact Energy, PWC and KPMG.



JEMMA MCCOWAN

*General Manager Brands and Sustainability
BCom, BA*

Jemma joined New Zealand King Salmon in 2012 and has overall responsibility for delivering the branding and sustainability programmes. She has 20 years' experience in marketing management and international business. In June 2019 Jemma was appointed as a Future Director by agribusiness company Scales Corporation, under the Institute of Directors' programme.



RICHARD SMITH

*General Manager Processing
BSc, MBA*

Richard brings a wealth of experience from previous roles at Whittaker's Chocolate, Moy Park Chicken and Sealord. Prior to joining the senior leadership team, Richard fulfilled the role of Projects and Engineering Manager at New Zealand King Salmon.



GRAEME TREGIDGA

General Manager, Sales

Graeme joined New Zealand King Salmon in 2004. Prior to this he spent 16 years in the horticulture industry with various roles in processing, international and domestic sales, and management.

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STATEMENTS**

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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)

	Note	2022 12 Months to 31 January \$000	2021 7 Months to 31 January \$000
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
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

		2022 12 months	2021 7 months
Earnings per share			
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	LIABILITIES	Note	2022 31 January \$000	2021 31 January \$000
Current assets				Non-current liabilities			
Cash and cash equivalents	12	2,913	3,479	Employee benefits	22	430	696
Trade and other receivables	13	19,817	16,186	Borrowings	20	-	39,250
Taxation receivable		294	-	Lease liabilities	19	4,402	5,389
Inventories	14	34,636	42,489	Deferred tax liabilities	9	-	16,923
Biological assets	15	65,529	69,588	Derivative financial liabilities	25	6,650	204
Derivative financial assets	25	1,338	5,413	Total non-current liabilities		11,482	62,462
Total current assets		124,527	137,155	TOTAL LIABILITIES		86,099	95,473
Non-current assets				NET ASSETS		111,229	192,543
Property, plant and equipment	16	50,620	60,716	EQUITY			
Biological assets	15	9,432	18,600	Share capital	27	122,606	122,606
Derivative financial assets	25	3,112	16,354	Reserves		10,175	18,286
Intangible assets	17	3,893	9,126	Retained earnings/(deficit)		(21,552)	51,651
Right-of-use assets	18	5,744	6,810	TOTAL EQUITY		111,229	192,543
Goodwill	17	-	39,255				
Total non-current assets		72,801	150,861	Net tangible assets per share			
TOTAL ASSETS		197,328	288,016	Net tangible assets per share		\$0.76	\$1.04
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				

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 - JOHN RYDER
13 April 2022



DIRECTOR - PAUL STEERE
13 April 2022

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 period		-	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)

	Note	2022 12 Months \$000	2021 7 Months \$000
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.

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED 31 JANUARY 2022

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 judgement 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 \$000	2021 7 Months \$000
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

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

7. EXPENSES

	2022 12 Months	2021 7 Months
	\$000	\$000
Corporate and other expenses include:		
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

	2022 12 Months	2021 7 Months
	\$000	\$000
Employee benefits expense		
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

	2022 12 Months	2021 7 Months
	\$000	\$000
Compensation of key management personnel of the Group		
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

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

	2022 12 Months	2021 7 Months
	\$000	\$000
Finance costs		
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
	\$000	\$000
Recognised in the consolidated statement of comprehensive income		
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)	-

Continued on next page

	2022 12 Months \$000	2021 7 Months \$000
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
	\$000	\$000
<i>Deferred tax liabilities</i>		
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)
<i>Deferred tax assets</i>		
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)

	2022 \$000	2021 \$000
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 indefinitely subject to the shareholder continuity test.		
Statement of comprehensive income impact of deferred tax assets and liabilities		
	2022	2021
	12 Months	7 Months
	\$000	\$000
<i>Deferred tax liabilities</i>		
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)
<i>Deferred tax assets</i>		
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

	2022 12 Months \$000	2021 7 Months \$000
Movement in reserves		
<i>Forward currency contracts</i>		
Reclassification during the year 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)
<i>Interest rate swaps</i>		
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)	-
<i>Currency translation differences</i>		
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.

	2022 12 Months \$000	2021 7 Months \$000
Earnings per share		
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

	2022	2021
	\$000	\$000
Cash and cash equivalents		
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

	2022	2021
	\$000	\$000
Trade and other receivables		
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.

	2022	2021
	\$000	\$000
Ageing analysis of trade receivables		
> 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

	2022	2021
	\$000	\$000
Receivables impairment		
As at beginning of 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

	2022	2021
Inventories	\$000	\$000
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).

	2022	2021
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.

	Cost \$000	Fair Value Gain \$000	Total \$000
Biological assets			
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

¹Biological 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).

²Harvested 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%).

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

⁴Changes 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).

	Cost \$000	Fair Value Gain \$000	Total \$000
Biological assets			
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

	2022 12 months \$000	2021 7 months \$000
Fair value gain/(loss) recognised in profit and loss		
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

	2022 tonnes	2021 tonnes
Estimated closing biomass		
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 3 of the fair value hierarchy as the inputs are unobservable inputs.

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

Fair value risk and sensitivity

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

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

The estimated unrealised fair value gain from cost at 31 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

	Land and Buildings	Motor Vehicles	Plant and Equipment	Total
Cost	\$000	\$000	\$000	\$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

19. LEASE LIABILITIES

	Land and Buildings \$000	Motor Vehicles \$000	Plant and Equipment \$000	Total \$000
Lease 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	2021
	\$000	\$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	2021
	\$000	\$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
	\$000	\$000
Current employee benefits		
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 acquired 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/(liabilities)	-	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 several banks but mainly 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 \$000	Between one and two years \$000	Between two and five years \$000
As at 31 January 2022			
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

	Less than one year \$000	Between one and two years \$000	Between two and five years \$000
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 (TCFD).

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 \$000	2021 \$000
Current derivative financial assets		
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 dividend was declared nor paid).

Movement in ordinary share capital	# of Shares		Share Capital	
	2022 000	2021 000	2022 \$000	2021 \$000
<i>The beginning of the period</i>	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 DISCLOSURE

Subsidiaries

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

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

The principal activity of The New Zealand King Salmon Co 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 \$000	2021 7 Months \$000
Related party payments		
Good and services purchased from other related parties	402	300
Total related party payments	402	300
Related party sales		
Goods and services sold to related parties	-	28
Total related party sales	-	28
Amounts owing to related parties		
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 \$000	2021 7 Months \$000
Reconciliation of the profit/(loss) for the period with the net cash from operating activities		
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 Auditors Report



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 36 to 70, 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 36 to 70 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 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 judgement, 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

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.

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

How our audit addressed the key audit matter

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;
- » 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

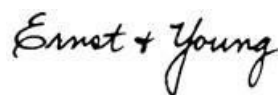
the group or cease operations, or have no realistic alternative but to do so.

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.



Chartered Accountants
Christchurch
13 April 2022

Corporate Governance

CORPORATE GOVERNANCE STATEMENT

The Board of New Zealand King Salmon Investments Limited (the Company) is committed to ensuring that the Company meets best practice governance principles and maintains the highest ethical standards. This Corporate Governance Statement provides an overview of the Company's governance framework. It is structured to follow the NZX Corporate Governance Code (NZX Code) and disclose practices relating to the NZX Code's recommendations.

The Board's view is that during the reporting period the Group has complied with the corporate governance principles and recommendations set out in the NZX Code apart from specific areas noted in this report. The Board believes our governance structures and in particular, our remuneration approach meets our strategic objectives. In forming our conclusions, we have sought external feedback from shareholders and advisors to challenge our thinking and validate our findings, which we have appreciated.

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

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

The Company's key corporate governance documents referred to in this statement, including charters and policies, can be found on the Company's website, www.kingsalmon.co.nz.

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Recommendation 1.1

The Board should document minimum standards of ethical behaviour to which the issuer's Directors and employees are expected to adhere (a Code of Ethics).

Code of Ethics

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

The Code of Ethics covers a wide range of areas including requiring Directors, employees, contractors and advisers to:

- Act honestly and with personal integrity in all actions.
- Declare conflicts of interest and proactively advise of any potential conflicts.
- Undertake proper receipt and use of corporate information, assets and property.
- In the case of Directors, give proper attention to the matters before them.
- Act honestly and in the best interests of the Company, as required by law, and take account of interests of shareholders and other stakeholders.
- Adhere to any procedures around giving and receiving of gifts.
- Adhere to any procedures about whistle blowing.
- Manage breaches of the Code of Ethics.

No breaches of the Code of Ethics were reported during the year to 31 January 2022.

Every new Director, employee and contractor is provided with a copy of the Code of Ethics and must confirm that they have read and understand the Code of Ethics. The Code of Ethics is available on the Company's website.

The Code of Ethics is subject to annual review by the Board.

The Company maintains an interests register, on which Directors and executives disclose any interests such as other Directorships, shareholdings or ownership, which may potentially lead to conflicts or perceived conflicts of interest.

Recommendation 1.2

An issuer should have a financial product dealing policy which applies to employees and Directors.

Share Trading by Company Directors and Employees

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

All trading by Directors and senior managers (as defined by the Financial Markets Conduct Act 2013) is required to be reported to NZX and recorded in the Company's securities trading register. A blackout period is imposed for all Directors and employees between the end of the half year and full year and the release to NZX of the result for that period. The policy provides that shares may not be traded at any time by any individual holding material information. The full procedures are outlined in the Financial Products Trading Policy and Guidelines, which is contained in the Company's Corporate Governance Code, available on the Company's website.

PRINCIPLE 2 – BOARD COMPOSITION & PERFORMANCE

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Recommendation 2.1

The Board of an issuer should operate under a written charter which sets out the roles and responsibilities of the Board. The Board charter should clearly distinguish and disclose the respective roles and responsibilities of the Board and management.

Responsibilities of the Board

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

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

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

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

The Board monitors these matters by receiving reports and plans from management and appropriate experts, and by maintaining an active programme of Company site visits.

The Board uses committees to address certain issues that require detailed consideration by members of the Board who have specialist knowledge and experience. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

The Board has a statutory obligation to maintain responsibility for certain matters. It also deals directly with issues relating to the Company's mission, appointments to the Board, strategy, business and financial plans.

Details of the Board's role, composition, responsibilities, operation, policies and committees are provided in the Company's Corporate Governance Code.

Recommendation 2.2

Every issuer should have a procedure for the nomination and appointment of Directors to the Board.

Director Nomination and Appointment

The Board is responsible for appointing Directors. The Nominations and Remuneration Committee manages the appointment process for new Directors and the re-election of existing Directors in order to make a recommendation to the Board. The nomination and appointment procedure is set out in the Committee's charter, which is included in the Company's Corporate Governance Code.

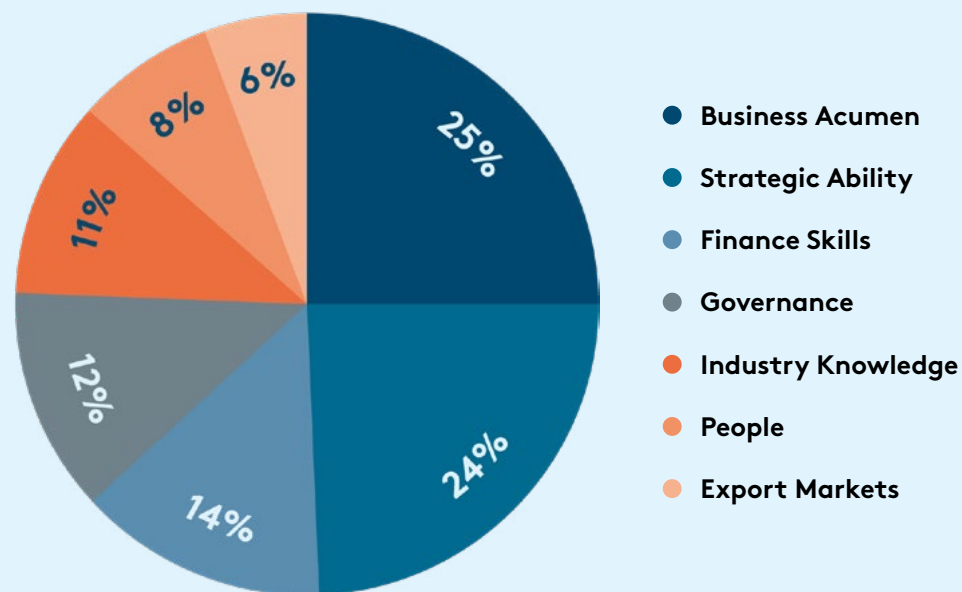
When considering an appointment, the Committee will undertake a thorough check of the candidate and their background. Where the Board determines a person is an appropriate candidate, shareholders are notified of that and are provided with all material information that is relevant to the decision on whether to elect or re-elect a Director.

The Nominations and Remuneration Committee also has responsibility for reviewing the composition of the Board to ensure that the Company has access to the most appropriate balance of skills, qualifications, experience, perspectives and background to effectively govern the Company.

The Board has developed a skills matrix setting out the key skills they believe are necessary for governance of the Company. The Board has determined that to operate effectively and to meet its responsibilities it requires competencies in key disciplines covering business acumen, strategic ability, governance, industry knowledge, people, finance skills and export markets.

As detailed in the chart below, the size of each section represents a combination of the skills available and the perceived importance of each of these skills.

Weighted Skills Chart as at June 2020



The skills matrix is used to evaluate whether the collective skills and experience of the Directors meet the Company's requirements both currently and into the future.

The composition of the Board is reviewed to ensure that the Company has access to the most appropriate balance of skills, qualifications, experience, perspectives and background to effectively govern the Company.

A number of areas will be supplemented by on-going Director training. The Board noted the range of qualifications, experience, perspectives and background were appropriate at this time. The average tenure of the current Directors is 8.4 years.

Recommendation 2.3

An issuer should enter into written agreements with each newly appointed Director establishing the terms of their appointment.

Letter of Appointment

All new Directors enter into a written agreement with the Company setting out the terms of their appointment.

Recommendation 2.4 and 2.8

Every issuer should disclose information about each Director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests and Director attendance at Board meetings.

A majority of the Board should be Independent Directors.

Board of Directors

A profile of each of the Directors is on page 32 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

The roles of the Board Chair, Audit and Finance Committee Chair, and CEO are not held by the same person.

Ownership of the Company's shares by Directors is encouraged rather than being a requirement. Directors' ownership interests are disclosed at pages 99-100.

The Board does not have a tenure policy; however, it recognises that a regular refreshment programme leads to the introduction of new perspectives, skills, attributes and experience.

Director period of appointment	0-3 years	3-9 years	9+ years
Number of Directors	3	1	3

Interests Register

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

Particulars of entries made in the Interests Register for the period to 31 January 2022 are included in the Director Disclosures section on page 98-100.

Director Independence

On the advice of the Nominations and Remuneration Committee, the Board determines annually on a case-by-case basis who, in its view, are Independent Directors. The guidelines set out in the NZX Code are used for this purpose. The Board will review any determination it makes on a Director's independence on becoming aware of any new information that may affect that Director's independence. For this purpose, Directors are required to ensure they immediately advise the Board of any new or changed relationship that may affect their independence or result in a conflict of interest.

As a result of the formal BetterBoards evaluation undertaken in 2018, the Board confirms the designation of John Ryder, Paul Steere and Catriona Macleod as Independent Directors, noting Paul Steere resigned as CEO of the Company in 2009. The Board has determined that these Directors, including the Chair of the Board, remained independent during the reporting period.

The Board currently has seven Directors, three of whom are considered independent. Therefore, the Board does not currently have a majority of Independent Directors as recommended by the NZX Code Recommendation 2.8, but it does comply with Listing Rule 2.1.1(c) by having three Independent Directors. The Company has decided that the current composition of the Board best serves the Company, but it is intended, in the medium term, to have a majority of Independent Directors. The Board will continue to assess the appropriate options and opportunities to achieving this goal.

Recommendation 2.5

An issuer should have a written diversity policy which includes requirements for the Board or a relevant Committee of the Board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.

The Company recognises the value in diversity and seeks to ensure that the Board and workforce of the Group is as diverse as the community in which we operate. A formal diversity policy was adopted by the Board on 29 June 2018 and can be found in the Company's Corporate Governance Code at <https://www.kingsalmon.co.nz/governance>

The Company does recruit, promote and compensate on the basis of merit, regardless of gender, ethnicity, religion, age, nationality or union membership. The Company does require that people in the workplace are treated with respect in accordance with the Company's Code of Conduct and Way We Work document.

The Board is committed to increasing the level of diversity at Board and executive level wherever possible, however no measurable objectives were set for the year ended 31 January 2022. The Board is currently reviewing the most appropriate measurable objectives and will report against its progress in meeting any specific diversity objectives in its 2023 Annual Report.

Responsibility for workplace diversity and the setting of measurable objectives is held by the Nominations and Remuneration Committee.

The gender composition of the Company's Board and senior leadership team (SLT) is as follows:

Position	As at 31 January 2022		As at 31 January 2021	
	Female	Male	Female	Male
Board	2 (29%)	5 (71%)	1 (14%)	6 (86%)
Senior Leadership Team	2 (20%)	8 (80%)	2 (29%)	5 (71%)

The Company has a long-term target of equal male and female representation at Board and SLT level however this target has not yet been achieved.

Recommendation 2.6

Directors should undertake appropriate training to remain current on how to best perform their duties as Directors of an issuer.

Director Training

The Board does ensure that there is appropriate training available to all Directors to enable them to remain current on how best to discharge their responsibilities and keep up to date on changes and trends in areas relevant to their work. Directors are provided with industry information and receive copies of appropriate company documents to enable them to perform their role. The Board has allocated funding of \$1,000 per annum for each Director to provide resources to help develop and maintain skills and knowledge.

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

The Board also ensures that new Directors are appropriately introduced to management and the businesses.

Recommendation 2.7

The Board should have a procedure to regularly assess Director, Board and Committee performance.

Board Performance Evaluation

The Board annually assesses its effectiveness in carrying out its functions and responsibilities. The Chair of the Board leads the review and evaluation of the Board as a whole, and of the Board Committees, against their charters. The Chair of the Board also engages with individual Directors to evaluate and discuss performance and professional development

In 2018 the Board undertook the Institute of Directors' BetterBoard evaluation. This provided the opportunity for a formal review of Board operations to ensure best practise was being followed. Several of the conclusions of the BetterBoard evaluation are noted in this report and have been implemented, particularly in relation to the structure of Board committees and nominated participants.

Recommendation 2.9

An issuer should have an independent Chair of the Board. If the Chair is not independent, the Chair and the CEO should be different people.

Chair Assessment

The Chair of the Board and the CEO are separated to ensure that a conflict of interest does not arise. The Chair of the Board is responsible for leading the Board, facilitating the effective contributions of all Directors and promoting constructive and respectful relations between Directors and between the Board and management. The Chair is also responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues.

Issuers should have an Independent Chair who can contribute to a culture of openness and constructive challenge that allows for a diversity of views to be considered by the Board. Good governance demands an appropriate separation between those charged with managing a listed entity and those responsible for overseeing its managers.

PRINCIPLE 3 – BOARD COMMITTEES

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

Board Committees

The Board formally constituted three committees in June 2018: the existing Nominations and Remuneration Committee, the reformed Audit and Finance Committee and the new Health, Safety and Risk Committee. Each committee focuses on specific areas of governance and together they strengthen the Board's oversight of the Company. Committee membership is reviewed annually.

Each Committee has a written charter that is approved by the Board and sets out its mandate. The charters are reviewed annually with any proposed changes recommended to the Board for approval. The charters can be found within the Company's Corporate Governance Code.

Annually each Committee agrees a programme of matters to be addressed over the following twelve-month period. The Committees each annually review their performance against the Committee charter and objectives for the year and report their findings to the Board.

Attendance at Meetings

The table below sets out Director attendance at Board and Committee meetings during the financial period to 31 January 2022.

Director	Board	Audit & Finance Committee	Nominations & Remuneration Committee	Health, Safety & Risk Committee
John Ryder (Chair)	9/9	4/4	-	-
Paul Steere (Chair Audit & Finance Committee & Chair Nominations & Remuneration Committee)	9/9	4/4	2/2	-
Jack Porus	8/9	4/4	1/2	-
Lai Po Sing	7/7	-	-	-
Catriona Macleod (Chair Health, Safety and Risk Committee)	9/9	-	-	4/4
Chiong Yong Tiong	9/9	-	-	4/4
Yuen Ping Carol Chen	1/2	-	-	-
Grant Rosewarne (Executive Director)	9/9	4/4	2/2	4/4

Recommendation 3.1

An issuer's Audit and Finance Committee should operate under a written charter. Membership on the Audit and Finance Committee should be a majority of Independent Directors and comprise solely of Non-Executive Directors of the issuer. The Chair of the Audit and Finance Committee should not also be the Chair of the Board.

Audit and Finance Committee

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

- To oversee the financial reporting and continuous disclosure processes, ensuring the interests of shareholders are properly protected.
- To ensure internal control and disclosure maintains integrity and transparency.
- To provide the Board with an independent assessment of the Company's financial position and accounting affairs.
- To oversee the Company's capital and treasury management.

The members of the Committee are all Independent Non-Executive Directors, all with accounting and financial backgrounds. The members are Paul Steere (Chair), John Ryder and Jack Porus. The Chair of the Audit and Finance Committee and the Board Chair are different people. The Audit and Finance Committee held four meetings during the period to 31 January 2022. The agenda items for each meeting generally relate to financial governance, external financial reporting, external audit, internal controls and processes, and compliance.

Recommendation 3.2

Employees should only attend Audit and Finance Committee meetings at the invitation of the Audit and Finance Committee.

Meeting Attendance

The CEO and Chief Financial Officer (CFO) are regularly invited to attend Audit and Finance Committee meetings. The committee also regularly holds private sessions with the external auditors, which management is excluded from.

Recommendation 3.3 and 3.4

An issuer should have a Remuneration Committee which operates under a written charter (unless this is carried out by the whole Board). At least a majority of the Remuneration Committee should be Independent Directors. Management should only attend Remuneration Committee meetings at the invitation of the Remuneration Committee. An issuer should establish a nomination committee to recommend Director appointments to the Board (unless this is carried out by the whole Board), which should operate under a written charter. At least a majority of the nomination committee should be Independent Directors.

Nominations and Remuneration Committee

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

- Establishment of a clear framework for oversight and management of the Company's remuneration structure, policies, procedures and practices to ensure the Company's remuneration is fair and reasonable.
- Defining the roles and responsibilities of the Board and senior management.
- Reviewing and making recommendations on Board composition and succession.

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

Under the Nominations and Remuneration Committee Charter, the Committee shall comprise of, wherever possible, a majority of Independent Directors.

The current members of the Committee are Paul Steere (Chair) (Independent, Non-Executive) and Jack Porus (nominated as a Director by Oregon Group Limited and thus not independent). Therefore, the Nominations and Remuneration Committee does not currently have a majority of Independent Directors as recommended by the NZX Code Recommendations 3.3 and 3.4. The Company has decided that the current composition of the Nominations and Remuneration Committee best serves the Company.

The Committee held two meetings during the period to 31 January 2022.

Recommendation 3.5

An issuer should consider whether it is appropriate to have any other Board committees as standing Board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.

Health, Safety and Risk Committee

The Company has since 2015 operated a management Health & Safety Steering Group, generally meeting quarterly and with attendance by a Board Director.

The Board's commitment to ensuring a safe and healthy workplace for team members, contractors and visitors led to it establishing a Health, Safety and Risk Committee in June 2018, which operates under a written charter.

The primary functions of the Health, Safety and Risk Committee are:

- To assist the Board to provide leadership and policy for health and safety, in addition to other risks including sustainability.
- To assist the Board to fulfil its responsibilities and to ensure compliance with all legislative and regulatory requirements in relation to the health and safety practices of the Company as those activities affect employees and contractors.
- To support the ongoing improvement of health and safety in the workplace.
- Ensure and overview the identification of risk to the Company's operations, both financial and non-financial, the mitigation measures in place and such further measures to be enacted so risk is managed to as satisfactory a level as practical.

The members of the Committee are Catriona Macleod (Chair) and Chiong Yong Tiong.

Recommendation 3.6

The Board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. The Board should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee,

and the likely composition and implementation of an independent takeover committee.

Takeover Protocols

The Board has documented and adopted a series of protocols to be followed in the event of a takeover offer being made, including communication between insiders and any bidder.

It is proposed that the Audit and Finance Committee will oversee the protocols and act as the takeover committee, assuming there are no conflicted members of the Committee. The Committee would have responsibility for managing the takeover in accordance with the Board protocols and the New Zealand Takeovers Code.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Recommendation 4.1

An issuer's Board should have a written continuous disclosure policy.

Shareholder Communications and Market Disclosure

The Company's Board is committed to the principle that high standards of reporting and disclosure are essential for proper accountability between the Company and its investors, employees and stakeholders.

The Company achieves these commitments, and the promotion of investor confidence, by ensuring that trading in its shares takes place in an efficient, competitive and informed market. The Company has in place a written Shareholder Communications and Market Disclosure Policy designed to ensure this occurs. The policy includes procedures intended to ensure that disclosure is made in a timely and balanced manner and in compliance with the NZX Listing Rules, such that:

- All investors have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance.
- Company announcements are factual and presented in a clear and balanced way.

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

Significant market announcements, including the preliminary announcement of the half year and full year results, the financial statements for those periods, and any advice of a change in earnings forecast are approved by the Board.

Directors consider at each Board meeting whether there is any material information which should be disclosed to the market.

Recommendation 4.2

An issuer should make its Code of Ethics, Board and Committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

Governance Policies and Charters

The Company's key corporate governance documents, including charters and policies, can be found at <https://www.kingsalmon.co.nz/governance/>

Recommendation 4.3

Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering environmental, economic and social sustainability factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the Board.

Financial and Non-Financial Reporting

The Board is responsible for ensuring the integrity and timeliness of its financial reporting. As noted above under 'Board Committees', the Audit and Finance Committee monitors financial reporting risks in relation to the preparation of the financial statements.

The Audit and Finance Committee, with the assistance of management, works to ensure that the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Audit and Finance Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness, balance and timeliness of financial statements. It reviews half-year and annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with financial reporting standards, stock exchange and legal requirements, and the results of the external audit. All matters required to be addressed and for which the Committee has responsibility were addressed during the period under review.

All interim and full-year financial statements are prepared in accordance with relevant financial standards.

Both financial and non-financial disclosures are made at least annually, including reporting of material exposure to environmental, economic and social sustainability risks and other key risks. The Company has a strategic target to develop best-in-class sustainability reporting and to measure and report on key sustainability aspects affecting its businesses.

The Company's sustainability update for 2022 is included in this report at pages 15–20 and provides details of the Company's initiatives in this area. The Company draws on 5 of the United Nations Sustainable Development Goals focusing on the food sector and aquaculture industry both nationally and globally. The five Goals being focused on are: decent work and economic growth, climate action, good health and well-being, responsible consumption and production, and life below water.

PRINCIPLE 5 – REMUNERATION

The remuneration of Directors and senior management should be transparent, fair and reasonable.

Recommendation 5.1

An issuer should recommend Director remuneration to shareholders for approval in a transparent manner. Actual Director remuneration should be clearly disclosed in the issuer's annual report.

Recommendation 5.2

An issuer should have a remuneration policy for remuneration of Directors and senior management, which outlines the relative weightings of remuneration components and relevant performance criteria.

Recommendation 5.3

An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short-term incentives and long-term incentives and the performance criteria used to determine performance-based payments.

Remuneration Report Introduction

This Remuneration Report outlines the Company's overall reward strategy for the period to 31 January 2022 and provides detailed information on the remuneration arrangements in this period for the Directors of the Company, including the CEO, and other nominated executives.

The Company's Remuneration Policy, which may be amended from time to time, is reviewed at least once a year. The Company has also established a number of additional policies to support a strong governance framework and uphold ethical behaviour and responsible decision making.

Remuneration Policy

The Nominations and Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages for Directors, the CEO and nominated executives. The primary objectives of the Remuneration Policy are to provide a competitive and flexible structure that reflects market practice but is tailored to the specific circumstances of the Company and which reflects each person's duties and responsibilities, in order to attract, motivate and retain people of the appropriate quality. This includes the Company's responsibility to monitor diversity and ensure pay equity.

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

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director remuneration is separate and distinct from the remuneration of the CEO and other executives.

Components of Compensation - Non-Executive Directors

a. Remuneration

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

No remuneration is payable to Non-Executive Directors unless it is approved by the Company's shareholders. The NZX Listing Rules specify that shareholders can approve a per Director remuneration amount or an aggregate Directors' fee pool. Shareholders approved an aggregate fee pool of \$520,000 at the November 2019 Annual Shareholders Meeting and no adjustment will be sought at the 2022 Annual Meeting.

The aggregate remuneration paid to Non-Executive Directors and the manner in which it is apportioned amongst Directors is reviewed annually, with any proposed increase in the aggregate pool put to shareholders for approval at the Company's next Annual Shareholders Meeting. The Board reviews its fees to ensure the Company's Non-Executive Directors are fairly remunerated for their services, recognising the level of skill and experience required to fulfil the role and to enable the Company to attract and retain talented Non-Executive Directors. The process involves benchmarking against a group of peer companies. In addition, the Board reviews the Committee structure and appropriate level of resourcing required to make an on-going contribution to long term value creation. At the end of 2018, the Board made changes to the committee structure including the formation of the Health, Safety and Risk Committee, bringing an additional focus to an area considered to be a key driver for the Company.

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

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

Fees paid to the Non-Executive Directors of the Company for the period to 31 January 2022 were as follows:

Fees Paid for Serving on Committees

Director	Base Fee	Audit & Finance Comm.	Nomination & Remuneration Comm.	Health Safety & Risk Comm.	Total Fees paid/ Payable
John Ryder	\$120,000	\$0	\$0	\$0	\$120,000
Jack Porus	\$60,000	\$4,500	\$4,500	\$0	\$69,000
Paul Steere (Chair Audit & Finance Comm. & Chair Nominations & Remuneration Comm.)	\$60,000	\$9,000	\$9,000	\$0	\$78,000
Laoi Po Sing	\$45,000	\$0	\$0	\$0	\$45,000
Catriona Macleod (Chair Health, Safety and Risk Comm.)	\$60,000	\$0	\$0	\$9,000	\$69,000
Chiong Yong Tiong	\$60,000	\$0	\$0	\$4,500	\$64,500
Carol Chen	\$10,000	\$0	\$0	\$0	\$10,000

Remuneration of CEO and Employees

The number of employees of the Group (including former employees), not being Directors, who received remuneration and other benefits in excess of \$100,000 in the period to 31 January 2022 is set out in the remuneration bands detailed below:

Remuneration	Number of Employees	
	FY2022	FY2021 (7 months)
\$100,000 to \$109,999	7	3
\$110,000 to \$119,999	6	1
\$120,000 to \$129,999	9	0
\$130,000 to \$139,999	6	3
\$140,000 to \$149,999	4	1
\$150,000 to \$159,999	6	0
\$160,000 to \$169,999	1	0
\$170,000 to \$179,999	2	0
\$180,000 to \$189,999	0	1
\$210,000 to \$219,999	2	0
\$220,000 to \$229,999	0	0
\$230,000 to \$239,999	1	0
\$240,000 to \$249,999	1	0

* Note above excludes CEO but includes redundancy payments, other prescribed fringe benefits and any LTI benefits.

As set out in further detail below, the total remuneration and value of other benefits paid to the CEO (including under the STI Scheme and LTI Scheme detailed below) for the period to 31 January 2022 was \$534,244 (Seven-month period to 31 January 2021: \$364,264).

Year	Base Salary	Vehicle Allowance	Fixed Remuneration	Pay for Performance STI	Pay for Performance LTI	Total Remuneration
2022	\$500,219	\$17,634	\$517,853	\$16,391	-	\$534,244
2021	\$296,284	\$18,667	\$314,951	-	49,313	\$364,264

* Based on year the amount was paid

** Base salary includes Super contributions, SX, Life IP and any leave cashed in

*** Value of LTI benefit is calculated as market value of shares at date of vesting less loan repayable

Components of Compensation – CEO and Other Nominated Executives

a. Structure

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

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

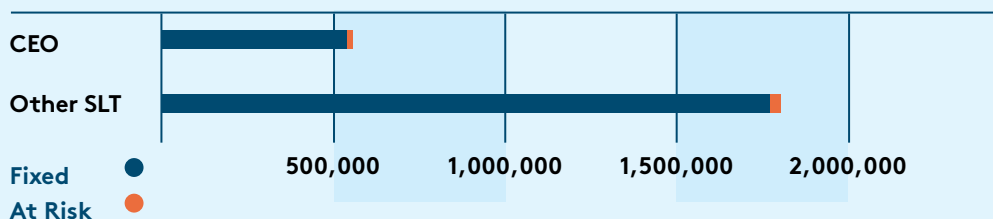
Remuneration consists of both fixed and variable remuneration components. The variable remuneration component comprises the STI Scheme and the LTI Scheme.

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

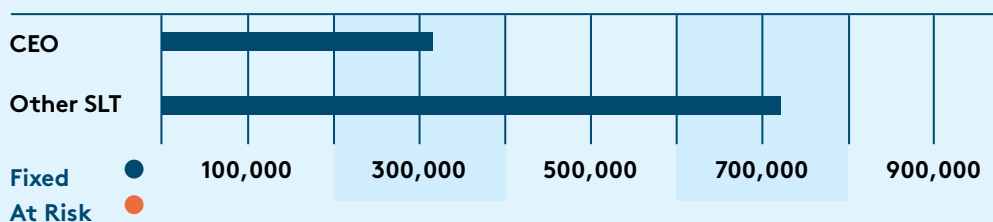
The remuneration packages for the CEO and nominated executives are all subject to Board approval. There were no material changes to the remuneration structures or targets for the 2022 year.

The mix of fixed versus variable 'at risk' remuneration payable in respect of the period to 31 January 2022 versus the seven month period to 31 January 2021 was as follows:

Fixed vs At Risk Remuneration FY2022



Fixed vs At Risk Remuneration FY2021 (Seven Months)



1. Fixed Annual Remuneration

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

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

For the period to 31 January 2022, the CEO received \$517,853 (Seven Month period to 31 January 2021: \$314,951) in fixed annual remuneration.

2. Variable Remuneration – STI Scheme

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

Actual STI Scheme payments granted to the CEO and each nominated executive depend on the extent to which specific targets set at the beginning of the year are met. The target for 2021 is directly related to achieving budgeted pro-forma operating EBITDA result and Return on Capital Employed.

In future the targets may include a weighted combination of:

- At least 60% for meeting budget or target pro-forma operating EBITDA for the Group.
- Up to 30% for meeting budget or target asset efficiency measures such as Return on Capital Employed for the Group.
- Any balance for strategic objectives and other contributions.

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

It should be noted that the level of remuneration detailed in this report for the CEO includes the STI bonus actually paid in 2022 relating to performance in the 2021 financial year. The total cost for the CEO and other nominated executives of the STI Scheme for 2022 was \$48,430 (31 January 2021: \$nil) and the total accrual for 2022 is \$nil (31 January 2021: \$49,853).

The CEO received \$16,391 in STI Scheme payments in 2022 relating to performance in the 2021 financial year (30 January 2021: \$nil in STI payments in 2021 relating to the 2020 year) and the total accrual for 2022 is \$nil.

STI Scheme payment values are set as a percentage of base cash remuneration, being 30% for the CEO and 25% for the other nominated executives for the financial period to 31 January 2022. For the financial period to 31 January 2022 there were ten executives in the STI Scheme, (31 January 2021: six executives).

In addition to the STI Scheme the Board reserves the ability to pay ad hoc bonus payments to any employee, again either directly related to the trading outcome or a specific performance target. For the financial period to 31 January 2022, there were no ad hoc bonus payments to the CEO or other nominated executives (Seven Months to 31 January 2021, \$nil).

3. Variable Remuneration – LTI Scheme

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

- Align the CEO and nominated executives' interests with those of shareholders.
- Help provide a long-term focus.
- Retain high calibre senior employees by providing an attractive equity-based incentive that builds an ownership of the Company mindset, encouraging executives to think and act like owners.

The hurdle rate used for the LTI scheme is an absolute share price growth hurdle, which is more challenging over time than a relative TSR approach. This approach only rewards executives if the shareholders also do well.

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

Although performance rights are the most prevalent LTI instrument in Australasia the company believes the issue of shares and loans is more relevant for NZKS. The structure is well understood by executives and more closely aligns to the security held by shareholders. In addition, the economic return achieved by executives is more challenging under the current terms.

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

Each employee's loan amount (which determines how many shares will be acquired) is set as a percentage of their base salary and selected employees will be offered a loan for this amount if the criteria set by the Board are met. For the first three years of the LTI Scheme from 2016, the criterion has been the achievement of a compounding gross Total Shareholder Return of 12.5% (including all distributions) over the reference share price of \$1.12, for those executives who joined the scheme at the initial issue at the time of the IPO in October 2016, \$1.77 for those who joined the scheme in September 2017, and \$2.78 for those who joined the scheme in September 2018. There were no new joiners in shares issued in November 2019 due to the reference share price being higher than market price. The reference share price for any new participants will be set at the time of joining the scheme.

A total of 559,855 shares were allocated during the financial year to 31 January 2022 (7 months to 31 January 2021: 1,548,197) with matching interest free loans of \$888,977 (7 months to 31 January 2021: \$2,595,371). These shares have a vesting date of September 2024.

During the year, a number of employees left the Company, resulting in the forfeiture of 135,264 shares 31 January 2021: 100k shares, the consequent exercise of call options and redemption of gross loans of \$nil (30 June 2020: \$nil).

LTI Scheme loan amounts are set as a percentage of base cash remuneration, being 30% for the CEO and between 5% and 15% for other nominated executives in respect of the financial year ended 31 January 2022. As at 31 January 2022, there were 58 nominated executives in the LTI Scheme, (31 January 2021: 49 nominated executives).

Total Cost of the LTI Scheme

Cost LTI Scheme	SLT LTI Shares	LTI IPO Shares	LTI 2017	LTI 2018	LTI 2019	LTI 2020	LTI 2021
Total shares issued	3,062,164	993,671	317,515	311,527	452,352	1,184,750	559,855
Shares issued to CEO	1,937,170	308,880	94,833	90,510	83,449	636,359	79,824
Allocation cost to P&L at issue date	\$321,309	\$128,447	\$236,283	\$356,723	\$288,176	\$245,601	\$85,700
Allocation cost of CEO at issue date	\$195,925	\$39,927	\$70,571	\$103,641	\$68,830	\$124,914	\$5,561

It should be noted the table above records the expected accounting cost to the company over the full vesting period, the actual accounting cost may differ if shares are forfeited. It does not show the economic benefit received by the executive, which is directly linked to the share price movement over the vesting period.

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

On 1 September 2022, LTI shares issued on 5 November 2019 will vest to those team members who are employed by the Company at the time.

Once the LTI shares vest, employees remain obligated to repay outstanding loans in the event of sale of the shares or if leaving the Company. Employees may also choose to sell the vested LTI shares on-market (subject to usual employee share trading procedures) and would then be obligated to repay the loans

Senior Executive Share Ownership Scheme

The CEO and certain other executives were participants in an executive share ownership scheme prior to the IPO, in which participants have been provided with an interest free loan of up to 200% of the amount which the senior executive invests in the Company. As at 31 January 2022, 2,327,191 shares are held by executives via the Ownership Scheme, partly funded by interest free loans of \$893,750. Of this, the CEO holds 1,937,170 shares under the Ownership Scheme, supported by a loan of \$700,000.

These shares, which have been subject to sale restrictions since the IPO, were released from escrow on announcement of the 2018 financial results. During the period to 31 January 2022 year there was 1 staff change to the shareholding under this scheme holding a total of 620,259 options. This resulted in 455,844 of the options being exercised with accompanying loan repayments of \$235,113 and a further 164,415 shares returned to treasury stock.

Shares held by the CEO and nominated executives

The total numbers of shares allocated under the Senior Executive Share Ownership Scheme and LTI Schemes as at 31 January 2022 are as follows:

Number of Shares

Scheme	Allocation Date	Vesting Date	Average share price	Balance at start of year	Granted during the year	Vested during the year	Lapsed or transferred during the year	Balance at the end of the year
LTI 2018 Scheme (A)	27 Sept 2018	01 Sept 2021	\$1.30	229,071			49,299	179,772
LTI 2018 Scheme (B)	27 Sept 2018	01 Sept 2021	\$1.95	24,891			24,891	-
LTI 2018 Scheme (C)	27 Sept 2018	01 Sept 2021	\$2.78	12,125			12,125	-
LTI 2019 Scheme (A)	05 Nov 2019	01 Sept 2022	\$1.41	225,207			46,830	178,377
LTI 2019 Scheme (B)	05 Nov 2019	01 Sept 2022	\$2.13	27,233			2,119	25,114
LTI 2020 Scheme - Sen. Exec.	28 Jan 2022	04 Nov 2022	\$1.72	-	907,907			907,907
LTI 2020 Scheme (A)	28 Jan 2022	01 Sept 2023	\$1.53	-	276,843			276,843
LTI 2021 Scheme (A)	28 Jan 2022	01 Sept 2024	\$1.76	-	253,055			253,055
LTI 2021 Scheme (E)	28 Jan 2022	01 Sept 2024	\$1.36	-	87,206			87,206
LTI 2021 Scheme - Sen. Exec.	28 Jan 2022	14 Oct 2024	\$1.48	-	219,595			219,595
Totals				518,527	1,744,606	-	135,264	2,127,869

Number of Shares - CEO

Scheme	Allocation Date	Vesting Date	Weighted average share price	Balance at start of year	Granted during the year	Vested during the year	Lapsed or transferred during the year	Balance at the end of the year
LTI 2018 scheme	27 Sept 2018	1 Sept 2021	\$1.30	90,510	-	-	-	90,510
LTI 2019 scheme	5 Nov 2019	1 Sept 2022	\$1.41	83,449	-	-	-	83,449
LTI 2020 scheme	8 Oct 2020	4 Nov 2022	\$1.72	544,535	-	-	-	544,535
LTI 2020 scheme	8 Oct 2020	1 Sept 2023	\$1.53	91,824	-	-	-	91,824
LTI 2021 scheme	28 Jan 2022	1 Sept 2024	\$1.76	79,824	-	-	-	79,824
Totals				890,142	-	-	-	890,142

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

Employee Share Ownership Scheme

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

A total of 187,076 shares were issued at the time, supported by loans of \$104,762 from the Company. During the period, five employees holding shares have left the Company (Seven Months to 31 January 2021: nil), and no shares have been sold by current employees resulting in repayment of \$nil loans. As at 31 January 2022, the following shares were held by current employees under the Employee Share Ownership Plan:

Scheme	Allocation Date	Vesting Date	Number of Shares		
			Balance at start of year	Movement during the year*	Balance at the end of the year
Employee Share Ownership Plan	19 Oct 2016	19 Oct 2016	104,719	26,757	77,962

* Movement includes both shares sold for repayment of loan and shares retained and respective loan repaid in full

PRINCIPLE 6 - RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Recommendation 6.1

An issuer should have a risk management framework for its business and the issuer's Board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.

Risk Management Framework

The Board is responsible for ensuring that key business and financial risks are identified, and that appropriate controls and procedures are in place to effectively manage those risks.

The Health, Safety and Risk Committee has overall responsibility for ensuring that Company's risk management framework is appropriate and that it appropriately identifies, considers and manages risks.

Risk management is an integral part of the Company's business. A risk management framework incorporating a risk register is used to identify those situations and circumstances in which the Company may be materially at risk and for which risk mitigation activities are appropriate. This approach is intended to provide a comprehensive, company-wide awareness of risk in senior management, supported by a consistent method of identifying, assessing, controlling, monitoring and reporting existing and potential risks to the Company's business.

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

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

The Board has delegated responsibility to the Health, Safety & Risk Committee to establish and regularly review the Company's risk management framework. As part of this framework the Committee is tasked with identifying situations and circumstances in which the Company may be materially at risk and initiating appropriate action through the Board or CEO. A risk management policy is overseen by the CEO and supports a comprehensive approach to the management of those risks identified as material to the Company's operations. Risk management is a standing item on the agenda for Health, Safety & Risk Committee meetings, with detailed reports provided by senior management.

The CEO and CFO have provided the Board, through the Audit and Finance Committee, with assurances that in their opinion financial records have been properly maintained, that the financial statements comply with those accounting standards under which the Company must report and that the statements give a true and fair view of the Company's financial position and performance. These representations are given on the basis that a sound system of internal controls and risk management is operating effectively in all material respects in relation to financial reporting.

In managing the Company's business risks, the Board approves and monitors policy and procedures in areas such as treasury management, financial performance, taxation and delegated authorities.

Insurance

The Company has insurance policies in place covering most areas where risk to its assets and business can be insured at a reasonable cost.

Recommendation 6.2

An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.

Health and Safety

The Board and management are committed to promoting a safe and healthy working environment for everyone working in, or interacting with, the Company. The Company strives for continuous improvement that takes us beyond compliance in health, safety and wellness. This includes the reviewing of our health and safety policy statement as well as the systems and processes that support our safety objectives.

The Company's Health, Safety & Risk Committee Charter creates a shared responsibility for all our team members and contractors to so far as reasonably practicable take all steps in providing a working environment that promotes health and wellbeing. Effective controls based on industry knowledge and best practice guidelines inform and support our risk management across in all areas of the business.

The Company uses a risk-based approach, having identified a number of critical risk areas, being:

- Maritime operations
- Fire, electrical and natural events
- Heights and lifting
- Confined spaces
- Mobile plant and equipment
- Construction activity

Each of these critical risk areas has initiatives designed to eliminate, isolate or minimise risk.

The Company uses a combination of leading and lagging performance measures in health and safety.

PRINCIPLE 7 – AUDITORS

The Board should ensure the quality and independence of the external audit process.

Recommendation 7.1

The Board should establish framework for the issuer's relationship with its external auditors. This should include procedures:

- for sustaining communication with the issuer's external auditors;
- to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired;
- to address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors to the issuer; and
- to provide for the monitoring and approval by the issuer's Audit and Finance Committee of any service provided by the external auditors to the issuer other than in their statutory audit role.

Recommendation 7.2

The external auditor should attend the issuer's Annual Shareholders Meeting to answer questions from shareholders in relation to the audit.

External Auditor

The Company's Audit and Finance Committee is responsible for oversight of the Company's external audit arrangements to safeguard the integrity of financial reporting. The Company maintains an External Auditor Independence Policy to ensure that audit independence is maintained, both in fact and appearance.

The policy covers the following areas:

- Appointment of the external auditor.
- Provision of other assurance services by the external auditor.
- Pre-approval process for the provision of other assurance services.
- External auditor lead and engagement partner rotation.
- Hiring of staff from the external auditor.
- Relationships between the external auditor and the Company.
- Reporting on fees and non-audit work.

The role of the external auditor is to audit the financial statements of the Company in accordance with applicable auditing standards in New Zealand and to report on its findings to the Board and shareholders of the Company.

The External Auditor Independence Policy is available in the Corporate Governance Code which is available on the Company's website at <https://www.kingsalmon.co.nz/governance>

Ernst & Young is the Company's current external auditor. Brendan Summerfield is the current audit engagement partner, in his first year following a partner rotation at the completion of the 2021 audit. Fees paid to Ernst & Young are included in Note 30 of the notes to the financial statements.

Both the Company's Audit and Finance Committee Charter and the External Auditor Independence Policy require the external auditor to be independent, recognising the importance of facilitating frank dialogue between the Audit and Finance Committee, the auditor and management. The External Auditor Independence Policy requires that the audit partner be rotated after a maximum of five years.

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

The auditor has been invited to attend the Annual Shareholders' Meeting and will be available to answer questions about the audit process and the independence of the auditor.

Recommendation 7.3

Internal audit functions should be disclosed.

Internal Audit

The Company does not have an internal audit function. However, the Company does have a quality and compliance team dedicated to food hygiene in relation to the processing of harvested fish through to finished goods that are dispatched to the end customer. The objective of the quality and compliance team is to enhance and protect the organisational value of the Company by providing risk-based and objective assurance. The management Health and Safety Steering Group has overseen internal safety audits throughout the farming and manufacturing process. The Health, Safety and Risk Committee now oversees this function.

Where necessary, external expertise is obtained for specific audit activities.

Independent Professional Advice

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

PRINCIPLE 8 – SHAREHOLDER RELATIONS

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

Recommendation 8.1

An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

Shareholder Relations

The Company is committed to maintaining a full and open dialogue with its shareholders and other stakeholders. Annual reports, NZX releases, governance policies and charters and a variety of corporate information are posted on the Company's website.

The Company's preference is for electronic communications in the interests of sustainability and efficiency; however, each shareholder is entitled to receive a paper copy of each annual report.

The Company has a dedicated Investor Centre on its website containing an Annual Meetings section. Documents relating to meetings are available.

Shareholder meetings will be held at a time and location to encourage participation in person by shareholders. Annual meetings are currently held in the Nelson/Marlborough region, reflecting the head office and production locations for the Company.

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

Recommendation 8.2

An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.

Electronic Communications

Shareholders have the option of receiving their communications electronically. This is the company's preferred method of communication.

Contact details for the Company's head office are available on the website.

Recommendation 8.3

Quoted equity security holders should have the right to vote on major decisions which may change the nature of the issuer in which they are invested in.

Major Decisions

Directors' commitment to timely and balanced disclosure is set out in its Shareholder Communications and Market Disclosure Policy and includes advising shareholders on any major decisions. Where voting on a matter is required, the Board encourages investors to attend the meeting or to send in a proxy vote. Shareholders may raise matters for discussion at the Annual Shareholders' Meeting either in person or by emailing the Company with a question to be asked.

Recommendation 8.4

If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to existing equity security holders of the same class on a pro rate basis, and on no less favourable terms, before further equity securities are offered to other investors.

Equity raise

The Board is responsible for considering the interests of all existing equity holders when assessing their capital raising options.

Recommendation 8.5

The Board should ensure that the notices of annual or special meetings of quoted equity security holders is posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.

Notice of Meeting

The Company's Notice of Meeting will be available at least 20 working days prior to the meeting on the Shareholder Meetings page in the Investors section of the website.

Director Disclosures

The following persons were Directors of New Zealand King Salmon Investments Limited and its subsidiaries during the period to 31 January 2022:

Directors	John Ryder	Jack Porus	Chiong Yong Tiong	Paul Steere	Grant Rosewarne	James V. Kilmer	Justin Reynolds	Catriona Macleod	Lai Po Sing (Resigned Nov 2022)	Carol Chen (Appointed Nov 2022)
NZKS Investments Ltd.	•	•	•	•	•			•	•	•
The NZKS Co. Ltd.	•	•		•	•			•		
NZKS Exports Ltd.				•	•					
NZKS USA Inc.				•	•	•				
The NZKS Pty Ltd.				•	•		•			
NZKS Custodian Ltd.	•	•		•						
King Salmon Ltd.				•	•					
MacCure Seafoods Ltd.				•	•					
Omega Innovations Ltd.				•	•					
Ora King Ltd.				•	•					
Regal Salmon Ltd.				•	•					
Southern Ocean Salmon Ltd.				•	•					
Southern Ocean Seafoods Ltd.				•	•					

INTERESTS REGISTER

The following entries were made in the interests register of the Company during the year ended 31 January 2022:

Share Dealings by Directors

Dealings by Directors and key senior managers during the period ended 31 January 2022 as entered in the Interest Register of the Company are as follows:

Share Dealings by Directors

Source Computershare

Name of Director / Senior Executive	Number of Shares	Nature of Interest	Acquisition/Disposal	Consideration	Date
Grant Rosewarne	544,535	Beneficial Owner	Acquisition	\$1.72 per share	28 January 2022
	79,824	Beneficial Owner	Acquisition	\$1.76 per share	28 January 2022
	91,824	Beneficial Owner	Acquisition	\$1.53 per share	28 January 2022
Andrew Clark	25,713	Beneficial Owner	Disposal	\$1.46 per share	13/15 July 2021
	79,526	Beneficial Owner	Disposal	\$1.35 per share	14 July 2021
	316,803	Beneficial Owner	Disposal	\$1.43 per share	23 August 2021
	450,000	Beneficial Owner	Disposal	\$1.40 per share	23 August 2021
Ben Rodgers	219,595	Beneficial Owner	Acquisition	\$1.48 per share	28 January 2022
	35,846	Beneficial Owner	Acquisition	\$1.36 per share	28 January 2022

Disclosure of interest in the Interests Register

Details of Directors disclosures entered in the interests register for the Company as at 31 January 2022 were as follows:

Director	Interest	Nature of Interest
John Ryder (Chair)	Aged Care Education (NZ) Limited	Director & Shareholder
	Alpine View Care Centre Limited	Director
	Alpine View Lifestyle Village Limited	Director
	Ashbury Heights Limited	Director
	Banbury Park Limited	Director
	Broadwater Village Limited	Director
	Brycharl Corporation Limited	Director & Shareholder
	Burlington Village Limited	Director
	Castle Recruitments Limited	Director & Shareholder
	Coastal View Limited	Director
	Direct Capital VI Management Limited	Director
	Kindly Limited	Director
	Qestral Corporation Limited	Director & Shareholder
	Qestral Corporation Limited	Director
	Spyglass Trading Limited	Director & Shareholder
Sweat Equity Limited	Director & Shareholder	
Tuatara Tours NZ Limited	Director & Shareholder	
Jack Porus	Glaister Ennor	Partner
Paul Steere	Nelson Airport Limited	Chair
	Allan Scott Wines & Estates Limited	Chair
	Aquaculture Advisory Panel, South Pacific Community	Chair

Continued on next page

Director	Interest	Nature of Interest
Chiong Yong Tiong	Aotea Dairy Limited	Director
	Forestland Investment Limited	Director
	Aotea Housing Limited	Director
	Maraetai Land Development Limited	Director
	The Lumberbank New Zealand Limited	Director
	Waimarina Forests Limited	Director
	CEP Auckland Limited	Director
	Nugent Fitness Limited	Director
	Neil Corporation Limited	Director
	Winstone Pulp International Limited	Director
	Oregon Group Limited	Director
	Ernslaw One Limited	Director
	The Neil Group Limited	Director
	Neil Construction Limited	Director
Timbergrow Limited	Director	
Catriona Macleod	Australian Sustainable Seaweed Alliance	Director
	Derwent Estuary Program	Director
Grant Rosewarne	Aquaculture New Zealand	Director

Relevant Interests

The table below records the ordinary shares in which Directors had a relevant interest as at 31 January 2022.

Director	No. of Ordinary Shares - Beneficial	No. of Ordinary Shares - Non-Beneficial
John Ryder (Chair)	2,167,644	-
Jack Porus	372,457	-
Paul Steere	785,325	-
Grant Rosewarne	2,724,058	-

Neither Catriona Macleod, Chiong Yong Tiong nor Carol Chen held any relevant interests (beneficial or non-beneficial) as at 31 January 2022.

Use of Company Information by Directors

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

Directors Liability

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

Shareholder Information

As at 31 January 2022 there were 140,185,351 ordinary shares on issue in the Company, each conferring on the registered holder the right to vote on any resolution at a meeting of shareholders, held as follows:

Size of Holding	Number of Shareholders	Number of Shares Held	%
1 - 4,999	1,578	3,072,910	2.19
5,000 - 9,999	542	3,635,333	2.59
10,000 - 49,999	33	1,846,604	8.45
50,000 - 99,999	61	3,947,701	2.82
100,000 - 499,999	50	9,901,685	7.06
Over 500,000	16	107,781,118	76.89

20 Largest Shareholders

Set out below are details of the 20 largest shareholders of the Company as at 28 April 2022:

Shareholder	Shares	% of Shares
Oregon Group Limited	55,622,358	39.55
China Resources Ng Fung Limited	13,798,944	9.81
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	9,627,414	6.85
ANZ Wholesale Australasian Share Fund - NZCSD	3,091,181	2.20
NZKS Custodian Limited	2,855,246	2.03
FNZ Custodians Limited	2,835,637	2.02
Grantley Bruce Rosewarne & Bianca Jade Rosewarne	2,173,641	1.55
John William Dudley Ryder	1,989,644	1.41
Custodial Services Limited	1,852,050	1.32
New Zealand Depository Nominee Limited	1,574,094	1.12
Hobson Wealth Custodian Limited	1,215,259	0.86
Forsyth Barr Custodians Limited	1,089,815	0.77
JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct - NZCSD	1,006,419	0.72
Kevin Glen Douglas & Michelle Mckenney Douglas	914,029	0.65
Accident Compensation Corporation - NZCSD	786,888	0.56
MA Investments Two Limited	720,734	0.51
Richard Pelham Garland & Susan Jane Garland & PN Trustees Limited	697,322	0.50
Peter Plowman	606,184	0.43
Citibank Nominees (New Zealand) Limited - NZCSD	562,868	0.40
Julie Ann Rosewarne	505,214	0.36

Substantial Product Holders

Set out below are details of the substantial product holders of the Company as advised by notice to the Company as at 31 January 2022. The number of shares shown below is as advised in the most recent substantial product holder notices given to the Company and may not be their holding as at 31 January 2022.

Shareholder	Number of Shares	Class of Share
Oregon Group Ltd.	55,622,358	Ordinary
China Resources Ng Fung Ltd.	13,798,944	Ordinary
HSBC Nominees A/c NZ Superannuation Fund Nominees Ltd.	8,687,414	Ordinary

Annual Shareholders Meeting

The Company's 2022 Annual Shareholder's Meeting will be an in-person meeting held on 27 June 2022. Shareholders will be given an opportunity at the meeting to ask questions and comment on relevant matters. Notice of Meeting will be sent to shareholders in advance of the meeting.

Exercise of NZX Disciplinary Powers

NZX Limited did not exercise any of its powers under Listing Rule 5.4.2 in relation to the Company during the period to 31 January 2022.

Donations

Donations made by the Group during the period to 31 January 2022 totalled \$9,656 (7 months to 31 January 2021: \$3,030).

Appendix

FY22 RECONCILIATION BETWEEN GAAP RESULTS AND PRO FORMA FINANCIALS

FY22 NZD 000s	Statutory Financial Statements	Fair Value Adjustments	IFRS 16 Lease Adjustments	FX Close-outs	Pro Forma Operating Financial Information
Revenue	174,530				174,530
Cost of goods sold	(177,774)	52,050	(1,968)		(127,692)
Fair value gain/ (loss) on biological transformation	41,261	(41,261)			-
Freight costs to market	(25,275)				(25,275)
Gross Profit	12,743	10,788	(1,968)		21,563
Other operating income	402			13,471	13,873
Overheads					
Sales, marketing and advertising	(13,471)				(13,471)
Distribution overheads	(5,204)				(5,204)
Corporate expenses	(8,649)				(8,649)
Other expenses	(1,414)				(1,414)
EBITDA	(15,593)	10,788	(1,968)	13,471	6,698
Depreciation and amortisation	(10,125)		1,747		(8,378)
Impairment	(59,255)				(59,255)
EBIT	(84,973)	10,788	(221)	13,471	(60,935)
Finance income	17				17
Finance costs	(2,636)		249		(2,387)
Net finance costs	(2,619)	-	249		(2,370)
Profit / (loss) before Tax	(87,593)	10,788	29	13,471	(63,305)
Income tax (expense) / credit	14,390	(3,021)	(8)	(3,772)	7,590
Net Profit / (loss) for the Year	(73,202)	7,768	21	9,699	(55,715)

FY21 RECONCILIATION BETWEEN GAAP RESULTS AND PRO FORMA FINANCIALS

FY21 (7 Months) NZD 000s	Statutory Financial Statements	Fair Value Adjustments	IFRS 16 Lease Adjustments	FX Close-outs	Pro Forma Operating Financial Information
Revenue	95,239				95,239
Cost of goods sold	(98,820)	36,562	(984)		(63,243)
Fair value gain/ (loss) on biological transformation	29,350	(29,350)			-
Freight costs to market	(11,616)				(11,616)
Gross Profit	14,153	7,212	(984)		20,381
Other operating income	541			5,744	6,285
Overheads					
Sales, marketing and advertising	(7,702)				(7,702)
Distribution overheads	(3,132)				(3,132)
Corporate expenses	(4,979)				(4,979)
Other expenses	(889)				(889)
EBITDA	(2,009)	7,212	(984)	5,744	9,963
Depreciation and amortisation	(5,969)		981		(4,988)
EBIT	(7,978)	7,212	(3)	5,744	4,975
Finance income	5				5
Finance costs	(1,353)		140		(1,213)
Net finance costs	(1,349)	-	140		(1,208)
Profit/ (loss) before Tax	(9,326)	7,212	137	5,744	3,766
Income tax (expense) / credit	2,247	(2,019)	(38)	(1,608)	(1,419)
Net Profit/ (loss) for the Year	(7,079)	5,193	98	4,136	2,347

UNDERSTANDING OUR GAAP RESULTS

The impact of NZ IAS-41 Agriculture, NZ IAS-2 Inventory and NZ IFRS-16 Leases

Our GAAP results are impacted by Fair Value gains or losses arising from the application of NZ IAS-41 Agriculture, NZ IAS-2 Inventory and the classification of leases under NZ IFRS-16. The impact of these standards are explained below:

Fair Value under NZ IAS-41 Agriculture and NZ IAS-2 Inventory

When we record a change in biomass at sea, or where the expected future profit we realise on fish that we sell changes, these standards require us to quantify and recognise the gain or loss in the current period. This applies to both biomass at sea and inventories of finished products.

Our Statement of Financial Position shows biological assets at their fair value, with FY22 seeing a reduction in fair value due to reduction in margin from cost increases and mortality. Pro Forma Operating Financial Performance removes gains/losses associated with the application of these standards. The company will present Pro Forma results for future reporting periods on this basis.

NZ IFRS-16 Leases

Under NZ IFRS-16 a lessee will no longer make a distinction between finance leases and operating leases; all (material) leases will be treated as finance leases.

In the statement of financial position we are therefore required to recognize the asset (or right to use the asset) and the liability for the lease, while in the statement of profit and loss we recognize the interest cost and the depreciation of the leased asset instead of the operating lease expenses. The application of this standard increases EBITDA, assets and liabilities, however this impact is reversed in our Pro Forma results.

Corporate Directory

Board of Directors

John William Dudley Ryder
Independent Non-Executive Chair

Grantley Bruce Rosewarne
CEO & Managing Director

Jack Lee Porus
Non-Executive Director

Paul James Steere
Independent Non-Executive Director

Lai Po Sing (Resigned Nov 2021)
Non-Executive Director

Chiong Yong Tiong
Non-Executive Director

Catriona Macleod
Independent Non-Executive Director

Carol Chen (Appointed Nov 2021)
Non-Executive Director

Vicky Taylor (Appointed Feb 2022)
Independent Non-Executive Director

Audit & Finance Committee

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

Nomination & Remuneration Committee

Paul Steere (Chair)
Jack Porus

Health, Safety & Risk Committee

Catriona Macleod (Chair)
Chiong Yong Tiong

Bankers

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

Auditor

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

Lawyers

Chapman Tripp
Level 34, 15 Customs St. W
Auckland
New Zealand

Gascoigne Wicks
79 High Street
Blenheim
New Zealand

Duncan Cotterill
197 Bridge Street
Nelson
New Zealand

New Zealand King Salmon

Ticker: NZK

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

Registered Office

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Nelson 7011
New Zealand

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PO Box 1180
Nelson 7040
New Zealand

Telephone

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Website

www.kingsalmon.co.nz

Investor Relations

investor@kingsalmon.co.nz

Share Registry

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Takapuna, Auckland 0622, New Zealand
+64 9 488 8777
enquiry@computershare.co.nz

Computershare Investor Services Pty Ltd.

Yarra Falls, 452 Johnston Street,
Abbotsford VIC 3001, Australia
+61 3 9415 4083
enquiry@computershare.co.nz

Glossary

1H22

Financial results for the 6 months from 1 February 2021 to 31 July 2021

2H22

Financial results for the 6 months from 1 August 2021 to 31 January 2022

ASX

Australian Securities Exchange

CEO

Chief Executive Officer

EBIT

Earnings Before Interest, Tax, Depreciation

EBITDA

Earnings before interest, tax, depreciation and amortisation

FCR

Feed Conversion Ratio – the amount of feed (in kilograms) required to grow 1 kilogram of fish weight

FMCG

Fast Moving Consumer Goods

FOB

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

FY

Financial Year

FY21

Financial results for the 7 months from 1 July 2020 to 31 January 2021

FY22

Financial results for the 12 months from 1 February 2021 to 31 January 2022

G&G

Gilled and gutted. Note that all volumetric information presented is on a gilled and gutted basis unless otherwise stated

GAAP

Generally Accepted Accounting Practice

Group

New Zealand King Salmon Limited and its subsidiaries

IPO

Initial Public Offering

LTI Scheme

Long Term Incentive Scheme

Mortality/Mortality Rate

The percentage mortality of salmon in seawater, calculated as the biomass of salmon mortalities in kg divided by the growth of salmon in kg

New Zealand King Salmon/NZKS

New Zealand King Salmon Investments Limited

NPAT

Net profit after tax, also reported as net profit for the period in our published financial results

NZ IFRS

New Zealand equivalents to International Financial Reporting Standards

NZX

New Zealand Stock Exchange

Pro Forma Operating EBITDA

Pro Forma Operating EBITDA refers to earnings before interest, tax, depreciation, amortisation after allowing for pro forma adjustments as described in the Appendix on page 103. Pro Forma Operating EBITDA is a non-GAAP profit measure

STI Scheme

Short Term Incentive Scheme

T

Metric tonnes

Upwelling System

A system that allows dense cooler water to be moved towards the ocean surface, displacing the warmer water and increasing water flow