

# APPENDICES

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**Kura Limited****Directors Report**

For the year ended 30 September 2014

The Board of Directors present their report including the financial statements of the Company and its subsidiaries for the year ended 30 September 2014 and the auditor's report thereon.

The shareholders of the Company have exercised their right under section 211(3) of the Companies Act 1993 and unanimously agreed that this Annual Report does not need to comply with any of the paragraphs (a) and (e) to (j) of section 211(1) and section 211(2) of the Act.

For and on behalf of the Board of Directors

  
Director  
13 November 2014

  
Director  
13 November 2014

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## Independent Auditor's Report

### To the Shareholders of Kura Limited

#### Report on the Financial Statements

We have audited the financial statements of Kura Limited and its subsidiaries on pages 3 to 38, which comprise the balance sheet of Kura Limited and the group as at 30 September 2014, the statement of comprehensive income and statement of changes in equity for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. 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.

#### Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We provide tax compliance and consulting services and accounting advice to the group. We have no other relationship with, or interest in, Kura Limited or any of its subsidiaries.

Partners and employees of our firm may deal with the company or group on normal terms within the ordinary course of trading activities of the business of the company or group.

#### Opinion

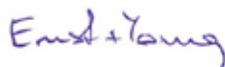
In our opinion, the financial statements on pages 3 to 38:

- ▶ comply with generally accepted accounting practice in New Zealand; and
- ▶ give a true and fair view of the financial position of Kura Limited and the group as at 30 September 2014 and the financial performance of the company and group for the year then ended.

#### Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- ▶ We have obtained all the information and explanations that we have required.
- ▶ In our opinion proper accounting records have been kept by Kura Limited as far as appears from our examination of those records.



13 November 2014  
Auckland



## Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER 2014

in New Zealand Dollars

	Note	2014 \$000	2013 \$000
Revenue		448,193	457,302
Cost of sales		(338,321)	(382,043)
<b>Gross profit</b>		<b>109,872</b>	<b>75,259</b>
Other operating income	1	4,457	5,532
Distribution expenses		(28,578)	(28,617)
Administrative expenses		(45,232)	(44,466)
Other operating expenses	2	(14,599)	(48,794)
<b>Operating profit/(loss) before financing costs and equity accounted investments</b>		<b>25,920</b>	<b>(41,086)</b>
Net financing costs	4	(10,409)	(13,895)
Share of profit/(loss) from joint ventures		2,245	(547)
Share of profit from associates	7	9,910	8,338
<b>Profit/(loss) before tax</b>		<b>27,666</b>	<b>(47,190)</b>
Income tax (expense)/benefit	5	(2,311)	2,796
<b>Profit/(loss) for the period</b>		<b>25,355</b>	<b>(44,394)</b>
<b>Other comprehensive income</b>			
Gains/(losses) from:			
Cash flow hedges		(8,834)	8,572
Translation of foreign operations		(82)	1,321
Income tax relating to components of other comprehensive income		4,205	(2,045)
<b>Other comprehensive profit/(loss) for the period, net of tax</b>		<b>(4,711)</b>	<b>7,848</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>		<b>20,644</b>	<b>(36,546)</b>
<b>Profit/(loss) for the period is attributable to:</b>			
Members of the Parent		25,355	(44,394)
<b>Total comprehensive profit/(loss) is attributable to:</b>			
Members of the Parent		20,644	(36,546)

The accompanying notes form part of these financial statements.



## Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 SEPTEMBER 2014

in New Zealand Dollars

	Note	Share capital \$000	Hedging reserve \$000	Translation reserve \$000	Retained earnings \$000	Total equity \$000
<b>Balance at 1 October 2013</b>	16	435,571	8,973	(36,402)	(19,587)	388,555
Total comprehensive income for the year, net of tax		-	(6,635)	1,924	25,355	20,644
<b>Transactions with owners in their capacity as owners:</b>						
Dividends to shareholders	16	-	-	-	-	-
<b>Balance at 30 September 2014</b>		<u>435,571</u>	<u>2,338</u>	<u>(34,478)</u>	<u>5,768</u>	<u>409,199</u>
<b>Balance at 1 October 2012 – as previously reported</b>	16	397,000	2,446	(37,723)	65,978	427,701
Total comprehensive income for the year, net of tax		-	6,527	1,321	(44,394)	(36,546)
<b>Transactions with owners in their capacity as owners:</b>						
Bonus issue of ordinary shares	16	38,571	-	-	-	38,571
Dividends to shareholders	16	-	-	-	(2,600)	(2,600)
Taxable bonus issue	16	-	-	-	(38,571)	(38,571)
<b>Balance at 30 September 2013</b>		<u>435,571</u>	<u>8,973</u>	<u>(36,402)</u>	<u>(19,587)</u>	<u>388,555</u>

The accompanying notes form part of these financial statements.

## Consolidated balance sheet

AS AT 30 SEPTEMBER 2014

in New Zealand Dollars

	Note	2014 \$000	2013 \$000
<b>Assets</b>			
Property, plant and equipment	6	106,245	87,366
Intangible assets	8	336,531	326,690
Derivatives	22	694	3,768
Investments in associates	7	75,688	71,820
Investments in joint ventures	9	7,159	6,313
Other investments	10	1,174	1,071
Goodwill	8	3,351	3,137
Deferred tax	5B	4,422	3,988
<b>Total non-current assets</b>		<b>535,264</b>	<b>504,153</b>
Inventories	12	75,768	77,473
Biological assets	13	9,630	8,492
Trade and other receivables	14	94,501	99,943
Derivatives	22	7,945	12,616
Cash and cash equivalents		13,666	20,119
Assets held for sale	7, 8, 28	10,329	8,261
Provision for taxation	5B	780	-
<b>Total current assets</b>		<b>212,619</b>	<b>226,904</b>
<b>Total assets</b>		<b>747,883</b>	<b>731,057</b>

The accompanying notes form part of these financial statements.

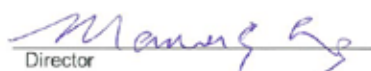
## Consolidated balance sheet

AS AT 30 SEPTEMBER 2014

in New Zealand Dollars

	Note	2014 \$000	2013 \$000
<b>Equity</b>			
Issued capital	16	435,571	435,571
Other reserves		(32,140)	(27,429)
Retained earnings		5,768	(19,587)
<b>Total equity</b>		<b>409,199</b>	<b>388,555</b>
<b>Liabilities</b>			
Interest bearing loans and borrowings	17	253,300	261,510
Finance lease liabilities	19	-	1
Derivatives	22	3,004	1,563
Deferred tax	5B	624	2,118
Employee benefits	20	325	338
ACC partnership program provision		821	893
<b>Total non current liabilities</b>		<b>258,074</b>	<b>266,423</b>
Interest bearing loans and borrowings	17	2,881	1,979
Finance lease liabilities	19	3	68
Trade and other payables	21	63,745	62,089
Derivatives	22	2,874	5,651
Provision for taxation	5B	-	139
Employee benefits	20	11,107	6,153
<b>Total current liabilities</b>		<b>80,610</b>	<b>76,079</b>
<b>Total liabilities</b>		<b>338,684</b>	<b>342,502</b>
<b>Total equity and liabilities</b>		<b>747,883</b>	<b>731,057</b>

For and on behalf of the Board, who authorised the issue of these financial statements on 13 November 2014.



Director



Director

The accompanying notes form part of these financial statements.



## Parent company statement of comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER 2014

in New Zealand Dollars

	2014 \$000	2013 \$000
Financial income	-	41,171
Financial expenses	-	-
<b>Net financing costs</b>	<b>-</b>	<b>41,171</b>
<b>Profit before tax</b>	<b>-</b>	<b>41,171</b>
Income tax expense	-	-
<b>Profit for the period</b>	<b>-</b>	<b>41,171</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the period, net of tax</b>	<b>-</b>	<b>41,171</b>

## Parent company statement of changes in equity

FOR THE YEAR ENDED 30 SEPTEMBER 2014

in New Zealand Dollars

	Note	Share capital \$000	Retained earnings \$000	Total equity \$000
Balance at 1 October 2013	16	435,571	35	435,606
Dividends to shareholders		-	-	-
<b>Balance at 30 September 2014</b>		<b>435,571</b>	<b>35</b>	<b>435,606</b>
Balance at 1 October 2012	16	397,000	35	397,035
<b>Total comprehensive income for the period, net of tax</b>		-	41,171	41,171
Bonus issue of ordinary shares		38,571	-	38,571
Dividends to shareholders		-	(2,600)	(2,600)
Taxable bonus issue		-	(38,571)	(38,571)
<b>Balance at 30 September 2013</b>		<b>435,571</b>	<b>35</b>	<b>435,606</b>

The accompanying notes form part of these financial statements.

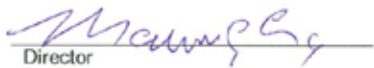
## Parent company balance sheet

AS AT 30 SEPTEMBER 2014

in New Zealand Dollars

	Note	2014 \$000	2013 \$000
<b>Assets</b>			
Investments in subsidiaries	11	435,602	435,602
Deferred tax	5B	4	4
<b>Total non current assets</b>		<b>435,606</b>	<b>435,606</b>
<b>Total assets</b>		<b>435,606</b>	<b>435,606</b>
<b>Equity</b>			
Issued capital	16	435,571	435,571
Retained earnings		35	35
<b>Total equity</b>		<b>435,606</b>	<b>435,606</b>
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>435,606</b>	<b>435,606</b>

For and on behalf of the Board, who authorised the issue of these financial statements on 13 November 2014.

  
Director

  
Director

The accompanying notes form part of these financial statements.

## Notes to the financial statements

### SIGNIFICANT ACCOUNTING POLICIES

Kura Limited (the "Company") is incorporated and domiciled in New Zealand. The Company's registered office is at 149 Vickerman Street, Nelson, New Zealand.

The Company, its subsidiaries (as disclosed in note 26), associates (as disclosed in note 7) and joint ventures (as disclosed in note 9) comprise the Kura Group (the "Group").

The Company is a holding company. The Group is a seafood producer and marketer.

The financial statements were authorised for issue by the directors of the Company on 13 November 2014.

The financial statements are presented in New Zealand dollars (NZD) and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

#### STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Company is a profit-orientated entity. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The Company is a Tier 3 for-profit entity and has elected to report in accordance with Tier 3 for-profit Accounting Standards.

The Company is eligible to report in accordance with Tier 3 for-profit Accounting Standards as it has no public accountability, and there is no separation between the owners and its governing body. All available exemptions allowed under the Framework for Differential Reporting have been adopted, except under NZ IAS 12 (Diff Rep), NZ IAS 18 (Diff Rep), NZ IAS 21 (Diff Rep) and NZ IAS 41 (Diff Rep), where the Company chose to fully apply these standards.

The financial statements are prepared on a historic cost basis except that the following assets and liabilities are stated at their fair value: foreign exchange contracts including forward commodity contracts, forward currency contracts and currency option contracts; interest rate swap contracts and biological assets.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

In the Company's financial statements investments in subsidiaries are recognised at cost.



## Notes to the financial statements

### SIGNIFICANT ACCOUNTING POLICIES

#### ASSOCIATES AND JOINT VENTURES (EQUITY ACCOUNTED INVESTEEES)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operational policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operational decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

All associates are equity accounted for periods equivalent to the parent's reporting period unless the Directors believe that sufficiently reliable information is not available to do so.

In the Company's financial statements investments in associates and joint ventures are recognised at cost.

#### OTHER INVESTMENTS AND OTHER FINANCIAL COSTS

Other investments, including Emissions Trading Scheme credits, are stated at cost.

Investments and financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through the statement of comprehensive income, loans and receivables or held-to-maturity investments. The classification depends on the purpose for which the investment or other financial assets were acquired. Designation is evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are initially recognised they are measured at fair value plus, in the case of held-to-maturity investments and loans and receivables, directly attributable transactions costs.

#### Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date (i.e. the date that the Group commits to purchase the asset). Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

- i) **Financial assets at fair value through the statement of comprehensive income**  
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.
- ii) **Held-to-maturity investments**  
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal requirements plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.
- iii) **Loans and receivables**  
Loans and receivables, including loan notes, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in statement of comprehensive income when the loans and receivables are derecognised or impaired. These are included in the current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid process at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: i) using arm's length market transactions; ii) reference to current market value of another instruments that is substantially the same; iii) discounted cash flow analysis; and iv) option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

## Notes to the financial statements

### SIGNIFICANT ACCOUNTING POLICIES

#### INTEREST BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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 sheet date.

#### BORROWING COSTS

Borrowing costs are amortised over the period in which they relate to. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

#### PROPERTY, PLANT AND EQUIPMENT

##### i) Owned assets

All items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of the materials, direct labour, the initial estimate, where relevant, costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

##### ii) Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

##### iii) Subsequent costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income.

##### iv) Depreciation

Depreciation is provided for on a straight line basis for all property, plant and equipment items (other than freehold land and capital work in progress) at depreciation rates calculated to allocate the asset's cost less estimated residual value, over their estimated useful lives.

Finance lease assets are depreciated over the shorter of the unexpired period of the lease and estimated useful life of the assets.

The following rates have been used:

Freehold buildings	50 years
Fishing vessels and equipment	5-10 years
Plant and equipment:	
- General	10 years
- Mussel longlines	20 years
Motor vehicles	5 years
Furniture, fittings and office equipment	3 – 10 years
Ponds	40 years



## Notes to the financial statements

### SIGNIFICANT ACCOUNTING POLICIES

#### IMPAIRMENT

The carrying amounts of the Group's assets other than inventories are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of comprehensive income.

The estimated recoverable amount of investments and receivables carried at cost is calculated as the present value of estimated future cash flow, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

Estimated recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. Other impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

#### INTANGIBLE ASSETS

- i) **NZ fishing quota catching rights**  
The Group has an agreement for long-term access to use fishing quota. The value of acquiring this access is included at cost.
- ii) **Australian fishing quota**  
Fishing quota is recorded at cost.
- iii) **Marine farm licenses**  
Marine farm licenses are recorded at cost.
- v) **Goodwill**  
All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of a business and is the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.
- vi) **Software**  
Software is stated at cost, less amortisation and impairment losses. Software is amortised over a three to seven year period on a straight line basis. The amortisation rate calculated allocates the asset's cost less estimated residual value, over the software's estimated useful life.
- vii) **Precision Seafood Harvesting**  
The company is part of a primary growth partnership program that is developing trawl technology. The asset is currently in the development stage and is not amortised.

#### TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their cost less impairment losses and due to their short term nature they are not discounted.

#### INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle, and includes expenditure incurred in acquiring inventories to bring them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### BIOLOGICAL ASSETS

Biological assets relate to the Group's inventories of live shellfish and fish growing in farms owned and operated by the Group. Biological assets are stated at fair value less point-of-sale costs, with any change therein recognised in the statement of comprehensive income. Biological assets are transferred to inventory at the time of harvest.

#### FINANCIAL GUARANTEES

Financial guarantees are recorded in note 25, contingent liabilities. These are measured at the amounts expected to be paid if that guarantee was called upon.



## Notes to the financial statements

### SIGNIFICANT ACCOUNTING POLICIES

#### EMPLOYEE BENEFITS

- i) **Defined contributions pension plan**  
Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income.
- ii) **Wage, 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 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. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.
- iii) **Long service leave**  
The Group's net obligation in respect of long service leave is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value. The discount rate is the market yield in relevant New Zealand Government Stock at the balance date.

#### TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost and due to their short term nature they are not discounted.

#### REVENUE

Revenue from the sales of goods is recognised in the statement of comprehensive income when the significant risk and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing involvement with the goods.

#### GOVERNMENT GRANTS

Grants from governments are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Grants from governments are recognised as revenue over the periods necessary to match them with the costs which they are intended to compensate, on a systematic basis. Grants from governments that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the statement of comprehensive income in the period in which they become receivable. Where grants from governments are received that relate to quota that has an indefinite useful life, income is recognised immediately.

#### EXPENSES

- i) **Operating lease payments**  
Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income over the lease term as an integral part of the total lease expense.
- ii) **Finance lease payments**  
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term on an effective interest rate.
- iii) **Net financing costs**  
Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the statement of comprehensive income. Interest income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest rate method.

#### FOREIGN CURRENCY AND HEDGING

- i) **Foreign currency transactions**  
Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the statement of comprehensive income. Non monetary assets and liabilities denominated in foreign currencies are measured in terms of historical cost and shall be translated at the foreign exchange rate at the date of the transaction.

## Notes to the financial statements

## SIGNIFICANT ACCOUNTING POLICIES

## FOREIGN CURRENCY AND HEDGING (continued)

## ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and the fair value adjustments arising on acquisition, are translated to NZD at the exchange rates at the Balance Sheet date. The income and expenses of foreign operations are translated to NZD at exchange rates at the dates of the transactions. Foreign exchange differences are recognised in the foreign currency translation reserve.

## iii) Derivative financial instruments and hedging

The Group uses derivative financial instruments (including forward currency contracts, forward commodity contracts and interest rate swaps) to hedge both its risk associated with foreign currency, commodity prices (vessel fuel) and interest rate 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 remeasured to fair value.

The Group's derivative financial instruments are defined as either a cash flow hedge or held for trading purposes. A cash flow hedge are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or to a forecast transaction and that could affect profit and loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income (reserves), while the ineffective portion is recognised in the statement of comprehensive income. Derivative financial instruments held for trading do not qualify for hedge accounting and change in fair value are recognised immediately in statement of comprehensive income.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative assets and liabilities held for the purpose of trading are classified as current in the balance sheet. Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months, or current when the remaining maturity is less than 12 months.

The fair values of forward currency contracts are calculated by reference to the current forward exchange rates for contracts with similar maturity profiles. The fair values of interest rate swaps are determined using a valuation technique based on cash flows discounted to present value using current market interest rates. The fair value of commodity contracts are also determined using discounted cash flow valuation technique using cash flow estimated based on observable forward prices for the commodity.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to statement of comprehensive income for the year.

## INSURANCE CONTRACTS

Sealord Group Limited, a subsidiary of Kura, is an accredited employer under the ACC partnership program. Participation in the ACC partnership program is an insurance contract between the employer and the employee as the employer (insurer) accepts significant insurance risk from the employee (policy holder) by agreeing to compensate the employee if a work-related injury (the insured event) adversely affects the employee. Under NZ IFRS 4, the Group accounts for its participation in the ACC partnership program as an insurance contract and recognise an insurance liability. Any gains or losses are recognised in the statement of comprehensive income in the period in which they arise.

The Group's insurance liabilities are valued annually by Marcelo Lardies, an actuary employed by AON. The actuarial report stated that the data was sufficiently complete to prepare the valuation. Key assumptions used by the actuary in the development of claim payment patterns and projecting payment liabilities were:

- Pre-valuation date claim inflation has been taken as 50% of movements in the CPI and 50% of movements in the AWE index.
- Post valuation date claim inflation has been taken as 2.5% pa.
- The discount rate used is 2.95%.

There were no qualifications contained in the actuarial report.

## Notes to the financial statements

### SIGNIFICANT ACCOUNTING POLICIES

#### INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Although the Group qualifies for differential reporting exemptions under NZ IAS 12, the Directors have opted to fully apply the reporting requirements set out in NZ IAS 12.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and an adjustment to tax in respect of previous periods.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: i) the initial recognition of goodwill; ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and effects neither accounting nor taxable profit; and iii) difference relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets relating to losses are recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

#### GOODS AND SERVICES TAX

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables which are stated inclusive of GST.



## Notes to the financial statements

in New Zealand Dollars

## 1. Other operating income

	Group		Parent	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Foreign exchange variations	-	23	-	-
Gain on disposal of property, plant and equipment	2	523	-	-
Gain on share sales of associate investments	3,936	-	-	-
Gain on asset sales of joint ventures	-	3,857	-	-
Dividend received	180	165	-	-
Management fee	250	250	-	-
Other	89	714	-	-
	<b>4,457</b>	<b>5,532</b>	<b>-</b>	<b>-</b>

## 2. Other operating expense

	Group		Parent	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Auditors remuneration – audit fees	(406)	(386)	-	-
Auditors remuneration – other*	(241)	(333)	-	-
Bad debt expense	-	(48)	-	-
Directors fees	(396)	(374)	-	-
Defined contribution pension plan expense	(990)	(1,172)	-	-
Loss on sale of Yuken S.A.	-	(37,079)	-	-
Foreign exchange variations	(1,219)	(257)	-	-
Impairment of investment	(98)	(83)	-	-
Closure of joint venture provision	-	(2,654)	-	-
Loss on sale of property, plant and equipment	(287)	(26)	-	-
Rental and operating lease costs	(5,453)	(5,276)	-	-
Restructure costs	(5,509)	(1,023)	-	-
Other	-	(83)	-	-
	<b>(14,599)</b>	<b>(48,794)</b>	<b>-</b>	<b>-</b>

\* The auditors remuneration – other, predominately relates to taxation return preparation, taxation advice, overseas subsidiary financial statement preparation and accounting treatment advice for significant transactions.

## 3. Personnel expenses

	Group		Parent	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Personnel expenses	(86,413)	(86,946)	-	-
	<b>(86,413)</b>	<b>(86,946)</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements

in New Zealand Dollars

### 4. Net financing costs

	Group		Parent	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Interest income	918	816	-	-
<b>Financial income</b>	<b>918</b>	<b>816</b>	<b>-</b>	<b>-</b>
Interest expense	(11,327)	(14,711)	-	-
<b>Financial expenses</b>	<b>(11,327)</b>	<b>(14,711)</b>	<b>-</b>	<b>-</b>
	<b>(10,409)</b>	<b>(13,895)</b>	<b>-</b>	<b>-</b>

### 5. Income Tax

	Group	
	2014	2013
	\$000	\$000
<b>A. Income tax expense:</b>		
<b>Current tax expense</b>		
Current period	2,943	1,017
Adjustment for prior periods	206	(497)
	<b>3,149</b>	<b>520</b>

#### Deferred tax (benefit)/expense

Other deferred tax expense	(838)	(3,316)
	<b>(838)</b>	<b>(3,316)</b>

#### Total income tax expense/(benefit)

	<b>2,311</b>	<b>(2,796)</b>
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#### Reconciliation of effective tax rate

<b>Profit/(loss) before tax and share of associates</b>	<b>17,756</b>	<b>(55,528)</b>
Income tax using the company tax rate @ 28% (2013: 28%)	4,972	(15,547)
Tax exempt income	(1,894)	(3,874)
Foreign exchange adjustments	(1,063)	859
Non-deductible expenses	324	17,902
Imputation credits carried forward as losses	-	(1,477)
Over provided in prior periods	(534)	(497)
Other	506	(162)
	<b>2,311</b>	<b>(2,796)</b>

The Parent Company has no taxable income for the year (2013: nil).

## Notes to the financial statements

in New Zealand Dollars

## 5. Income Tax (continued)

## B. Recognised tax assets and liabilities

	Group				Parent	
	2014	2014	2013	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000
	Current Income Tax	Deferred Income Tax	Current Income Tax	Deferred Income Tax	Deferred Income Tax	Deferred Income Tax
Opening balance	(139)	1,870	2,976	(3,410)	4	4
Charged to income	(3,149)	838	(520)	3,316	-	-
Charged to equity	2,006	2,199	-	(2,045)	-	-
Tax re-classification	899	(899)	(3,967)	3,967	-	-
Other payments	1,208	-	1,343	-	-	-
Foreign currency translation reserve	(45)	(210)	29	42	-	-
<b>Closing balance</b>	<b>780</b>	<b>3,798</b>	<b>(139)</b>	<b>1,870</b>	<b>4</b>	<b>4</b>

Amounts recognised in  
balance sheet:

Deferred tax asset	4,422	3,988
Deferred tax liability	(624)	(2,118)
	<b>3,798</b>	<b>1,870</b>

The above deferred tax asset and liability are classified by foreign jurisdiction.

Deferred income tax relates to the following:

	2014	2013
	\$000	\$000
<b>Consolidated</b>		
<b>i) Deferred tax liabilities</b>		
Derivatives	2,419	4,587
Fixed assets	8,373	8,324
Other	-	24
	<b>10,792</b>	<b>12,935</b>

**ii) Deferred tax assets:**

Inventory	1,261	1,222
Derivatives	1,645	2,294
Fixed Assets	112	70
Trade and payables	57	263
Employee benefits	1,535	1,156
Finance lease liabilities	1	14
ACC partnership program provision	229	332
Tax losses	9,750	9,450
Other	-	4
	<b>14,590</b>	<b>14,805</b>

## Notes to the financial statements

in New Zealand Dollars

## Income Tax (continued)

## B. Recognised tax assets and liabilities (continued)

	2014 \$000	2013 \$000
<b>By foreign jurisdiction:</b>		
Deferred assets:		
Australia	1,707	2,413
New Zealand	1,255	-
United States of America	1,460	1,575
	<b>4,422</b>	<b>3,988</b>
Deferred liabilities:		
New Zealand	-	1,535
United Kingdom	624	583
	<b>624</b>	<b>2,118</b>

## Parent

## i) Deferred tax assets:

Other	4	4
	<b>4</b>	<b>4</b>

## C. Imputation credits and franking credits

The amount of New Zealand imputation credits and Australian franking credits available for the subsequent financial period are:

	Group		Parent	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>i) New Zealand imputation credits:</b>				
Opening balance	10,162	25,002	-	-
Imputation credits attached to dividend received during the period	488	1,172	-	16,011
Imputation credits attached to dividend paid during the period	-	(16,011)	-	(16,011)
Income tax refunds during the period	-	(1)	-	-
<b>Closing balance</b>	<b>10,650</b>	<b>10,162</b>	<b>-</b>	<b>-</b>

At the balance date all the New Zealand imputation credits available to shareholders were through indirect interests in subsidiaries.

## Notes to the financial statements

in New Zealand Dollars

## 6. Property, plant and equipment

	Cost	Current year depreciation	Group Current period impairment loss	Accumulated depreciation & impairment	Carrying value
As at 30 September 2014	\$000	\$000	\$000	\$000	\$000
Land – freehold	771	-	-	-	771
Land – leasehold	32	-	-	-	32
Land – ponds	7,842	(195)	-	(2,241)	5,601
Buildings – on leased land	23,891	(733)	-	(11,367)	12,524
Plant and equipment	53,698	(2,701)	-	(37,190)	16,508
Fishing vessels	101,453	(3,749)	-	(35,413)	66,040
Motor vehicles	150	(12)	-	(80)	70
Furniture, fittings and equipment	7,642	(528)	-	(6,828)	814
	<b>195,479</b>	<b>(7,918)</b>	<b>-</b>	<b>(93,119)</b>	<b>102,360</b>
Capital work in progress	3,885	-	-	-	3,885
	<b>199,364</b>	<b>(7,918)</b>	<b>-</b>	<b>(93,119)</b>	<b>106,245</b>

As at 30 September 2013	\$000	\$000	\$000	\$000	\$000
Land – freehold	741	-	-	-	741
Land – leasehold	32	-	-	-	32
Land – ponds	7,852	(197)	-	(2,048)	5,804
Buildings – on leased land	23,900	(760)	-	(10,542)	13,358
Plant and equipment	52,749	(2,643)	-	(35,089)	17,660
Fishing vessels	74,501	(3,122)	-	(29,581)	44,920
Motor vehicles	152	(12)	-	(74)	78
Furniture, fittings and equipment	7,676	(880)	-	(6,587)	1,089
	<b>167,603</b>	<b>(7,614)</b>	<b>-</b>	<b>(83,921)</b>	<b>83,682</b>
Capital work in progress	3,684	-	-	-	3,684
	<b>171,287</b>	<b>(7,614)</b>	<b>-</b>	<b>(83,921)</b>	<b>87,366</b>

The Group's banking syndicate holds a mortgage over certain fishing vessels and interests in land of \$66,040,000 (2013: \$44,920,000) and \$771,000 (2013: \$741,000), respectively, and the remaining assets are secured under the arrangements referred to in note 17.

**Impairment**

No impairments of property, plant and equipment have been recognised for the year (2013: nil).

**Leased assets**

The Group leases computer equipment under a number of finance lease agreements. The Group uses the computer equipment for the major part of its economic life. At balance date the net carrying value of the computer equipment was \$3,134 (2013: \$63,504).



## Notes to the financial statements

in New Zealand Dollars

## 7. Equity accounted investments

	Group	
	2014	2013
	\$000	\$000
Share of profit before tax	13,648	12,289
Investment impairment	-	(269)
Income tax	(3,738)	(3,682)
<b>Share of profit</b>	<b>9,910</b>	<b>8,338</b>
Carrying amount at beginning of year	71,820	76,014
Share of profit	9,910	8,338
Disposal of associate	(5,186)	-
Acquisition of associate	2,301	-
Fair value adjustment to NIML investment	-	(1,187)
Elimination of gain on sale of assets	-	(168)
Dividends received	(1,256)	(2,079)
Advances to/(from) associate	(315)	4,197
Transfer to assets held for sale	(1,418)	(6,693)
Exchange variation in investment denominated in foreign currency	(168)	(6,602)
<b>Carrying amount at end of year</b>	<b>75,688</b>	<b>71,820</b>

	Percentage held by Group		Balance date	Group carrying amount	
	2014	2013		2014	2013
	%	%		\$000	\$000
<b>Significant Associates</b>					
New Zealand Longline Limited	-	50	30 September	-	5,122
North Island Mussels Limited	50	50	30 September	-	-
NZLL Quota Co Limited	50	-	30 September	2,318	-
Westfleet Seafoods Limited	50	50	30 September	5,551	4,031
Petuna Seaford Deepwater Fishing Pty Limited	50	50	30 June	1,287	1,012
Petuna Aquaculture Pty Limited	50	50	30 June	66,000	61,149
Pesquera Mas Afuera S.A.	33	33	31 December	532	506
<b>Carrying amount at end of year</b>				<b>75,688</b>	<b>71,820</b>

Significant Associates	Description of operation	Results audited to
New Zealand Longline Limited	Fishing joint venture	28 February
North Island Mussels Limited	Mussel farming and processing plant in New Zealand	30 September
NZLL Quota Co Limited	Quota owning/leasing company	Unaudited
Westfleet Seafoods Limited	Fishing company based in New Zealand	Unaudited
Petuna Seaford Deepwater Fishing Pty Limited	Fishing company based in Australia	30 June
Petuna Aquaculture Pty Limited	Salmon and trout farm based in Tasmania	30 September

## Notes to the financial statements

in New Zealand Dollars

**7. Equity accounted investments (continued)**

The associates have been equity accounted in accordance with the most recent audited accounts except for NZLL Quota Co Limited, Westfleet Seafoods Limited and Pesquera Mas Afuera S.A. which have been equity accounted to 30 September 2014, based on unaudited management results.

**Transfer of associate investment to assets held for sale**

North Island Mussels Limited has been transferred to assets held for sale. Refer to note 28.

**Impairment**

No impairments of associate investments were made during the year (2013: \$269,000).

**Disposals**

In February 2014, the Company's investment in New Zealand Longline Limited was sold for \$7,482,256 and the quota owned by New Zealand Longline Limited has been transferred to NZLL Quota Co Limited for \$2,300,625.

**8. Intangible assets**

	Group	
	2014	2013
	\$000	\$000
<b>NZ fishing quota catching rights</b>		
<b>Cost</b>		
Balance at beginning of period	309,417	309,417
Acquired during the period	7,511	-
<b>Balance at end of period</b>	<b>316,928</b>	<b>309,417</b>
<b>Carrying amounts</b>		
At start of period	309,417	309,417
<b>At end of period</b>	<b>316,928</b>	<b>309,417</b>

The holder of the fishing quota rights has the economic right to use in perpetuity. Therefore fishing quota rights have an indefinite useful life.

The Group's banking syndicate holds a mortgage over the New Zealand fishing quota catching rights.

## Notes to the financial statements

in New Zealand Dollars

### 8. Intangible assets (continued)

	Group	
	2014	2013
	\$000	\$000
<b>Australian fishing quota</b>		
<b>Cost</b>		
Balance at beginning of period	14,168	15,671
Exchange variation in fishing quota denominated in foreign currency	(16)	(1,503)
<b>Balance at end of period</b>	<b>14,152</b>	<b>14,168</b>
<b>Carrying amounts</b>		
At start of period	14,168	15,671
<b>At end of period</b>	<b>14,152</b>	<b>14,168</b>

The holder of the fishing quota has the right to use in perpetuity as granted by the Australian Government. Therefore fishing quota has an indefinite useful life.

	Group	
	2014	2013
	\$000	\$000
<b>Yuken fishing licenses and quota rights</b>		
<b>Cost</b>		
Balance at beginning of period	-	29,330
Disposed during the period	-	(30,705)
Exchange variation in fishing quota denominated in foreign currency	-	1,375
<b>Balance at end of period</b>	<b>-</b>	<b>-</b>
<b>Impaired losses</b>		
Balance at beginning of period	-	(10,000)
Impairment reversed	-	10,000
<b>Balance at end of period</b>	<b>-</b>	<b>-</b>
<b>Carrying amounts</b>		
At start of period	-	19,330
<b>At end of period</b>	<b>-</b>	<b>-</b>

Yuken was sold on 15 August 2013.

## Notes to the financial statements

in New Zealand Dollars

## 8. Intangible assets (continued)

	Group	
	2014	2013
	\$000	\$000
<b>Precision Seafood Harvesting (Trawl Technology)</b>		
<b>Cost</b>		
Balance at beginning of period	-	-
Acquired during the period	1,569	-
Balance at end of period	<b>1,569</b>	-
<b>Carrying amounts</b>		
At start of period	-	-
At end of period	<b>1,569</b>	-

	Group	
	2014	2013
	\$000	\$000
<b>Software</b>		
<b>Cost</b>		
Balance at beginning of period	13,334	13,962
Additions	1,943	1,182
Disposals	(8)	(1,810)
Exchange variation in software denominated in foreign currency	41	-
<b>Balance at end of period</b>	<b>15,310</b>	<b>13,334</b>
<b>Amortisation</b>		
Balance at beginning of period	10,384	10,861
Amortised charge	1,173	1,300
Disposals	(8)	(1,777)
Exchange variation in software denominated in foreign currency	34	-
<b>Balance at end of period</b>	<b>11,583</b>	<b>10,384</b>
<b>Carrying amounts</b>		
At start of period	2,950	3,101
At end of period	<b>3,727</b>	<b>2,950</b>



## Notes to the financial statements

in New Zealand Dollars

### 8. Intangible assets (continued)

	Group	
	2014	2013
	\$000	\$000
<b>Marine farm licences</b>		
<b>Cost</b>		
Balance at beginning of period	155	2,827
Transfer to assets held for sale	-	(1,567)
Disposed of during the period	-	(1,105)
<b>Balance at end of period</b>	<b>155</b>	<b>155</b>
<b>Amortisation</b>		
Balance at beginning of period	-	134
Amortised charge	-	-
Transfer of assets held for sale	-	(18)
Disposed of during the period	-	(116)
<b>Balance at end of period</b>	<b>-</b>	<b>-</b>
<b>Carrying amounts</b>		
At start of period	155	2,693
<b>At end of period</b>	<b>155</b>	<b>155</b>

Marine farm licences which have indefinite useful lives are not amortised but are tested annually for impairment at the balance date. Marine farm licenses have indefinite useful lives as it is highly probable that they will be renewed and costs of renewal will be minimal.

The North Island marine farm licenses were transferred to assets held for sale in 2013. Refer to note 28.

	Group	
	2014	2013
	\$000	\$000
<b>Total carrying amounts</b>		
NZ fishing quota catching rights	316,928	309,417
Australian Fishing quota	14,152	14,168
Precision Seafood Harvesting (Trawl Technology)	1,569	-
Software	3,727	2,950
Marine farm licences	155	155
	<b>336,531</b>	<b>326,690</b>

	Group	
	2014	2013
	\$000	\$000
<b>Goodwill</b>		
Balance at beginning of period	3,137	3,129
Exchange variation in goodwill denominated in foreign currency	214	8
<b>Balance at end of period</b>	<b>3,351</b>	<b>3,137</b>

## Notes to the financial statements

in New Zealand Dollars

## 9. Investments in joint ventures

	Group	
	2014	2013
	\$000	\$000
Share of joint venture net assets	7,159	6,313

	Percentage held by Group Balance date			Group carrying amount	
	2014	2013		2014	2013
Significant joint venture	%	%		\$000	\$000
Australian Longline Pty Limited	50	50	31 December	5,877	4,695
Sealord USA General Partnership	-	50	31 December	-	274
Thames Mussels Limited	40	40	31 March	254	254
Golden Bay Aquaculture Limited	50	50	31 March	534	534
Significant joint venture	Description of operation			Results audited to	
Australian Longline Pty Limited	Toothfish fishing			31 December	
Sealord USA General Partnership	Seafood trader			31 December	
Golden Bay Aquaculture Limited	Mussel farm development			Unaudited	
Thames Mussels Limited	Mussel farm development			Unaudited	

Australian Longline Pty Limited has been equity accounted up to 31 December 2013, which reflects the seasonality of the entity's operations and operating results.

The Sealord USA General Partnership was ceased on 31 December 2013 and subsequently voluntarily wound up.

## 10. Other investments

	Group	
	2014	2013
	\$000	\$000
Shares held	1,174	1,071

	Percentage held by Group		Group carrying amount	
	2014	2013	2014	2013
Significant other investments	%	%	\$000	\$000
Nordic Seafoods A.S. - B shares	11	11	72	72
Europacifico Alimentos del Mar S.L. - non-voting shares	100	100	516	499
Europacifico Alimentos del Mar S.L. - interest bearing loan	-	-	516	499
Primary Collaboration NZ	17	-	70	-
Significant joint venture	Description of operation			
Nordic Seafoods A.S.	Seafood trader and marketing company			
Europacifico Alimentos del Mar S.L.	Seafood trader			
Primary Collaboration NZ	Marketing company			

## Notes to the financial statements

in New Zealand Dollars

### 11. Investments in subsidiaries

	Parent	
	2014	2013
	\$000	\$000
Shares in subsidiaries	235,861	235,861
Advances to subsidiaries	199,741	199,741
	<b>435,602</b>	<b>435,602</b>

### 12. Inventories

Inventories of \$75,768,000 (2013: \$77,473,000) are provided as security under the arrangements referred to in note 17.

### 13. Biological assets

	Group	
	2014	2013
	\$000	\$000
<b>Mussel spat</b>		
Balance at beginning of period	226	751
Increase due to purchases	187	360
Decrease due to harvest	(231)	(885)
<b>Balance at end of period</b>	<b>182</b>	<b>226</b>
<b>Mussel crop</b>		
Balance at beginning of period	2,958	6,701
Gain / (loss) arising from changes in fair value less estimated point of sale costs	(8)	10
Increase due to purchases	1,700	822
Decrease due to harvest	(2,170)	(4,575)
<b>Balance at end of period</b>	<b>2,480</b>	<b>2,958</b>
<b>Fish grow out stock</b>		
Balance at beginning of period	5,308	3,759
Gain / (loss) arising from changes in fair value less estimated point-of-sale costs	134	165
Increase due to purchases	7,200	5,593
Decrease due to harvest	(5,676)	(3,775)
Net exchange differences arising on the translation	2	(434)
<b>Balance at end of period</b>	<b>6,968</b>	<b>5,308</b>
<b>Total</b>		
Balance at beginning of period	<b>8,492</b>	11,211
Gain / (loss) arising from changes in fair value less estimated point-of-sale costs	126	175
Increase due to purchases	9,087	6,775
Decrease due to harvest	(8,077)	(9,235)
Net exchange differences arising on the translation	2	(434)
<b>Balance at end of period</b>	<b>9,630</b>	<b>8,492</b>

## Notes to the financial statements

in New Zealand Dollars

## 13. Biological assets (continued)

The fair value of products harvested during the year was \$8,077,000 (2013: \$9,235,000). Harvested mussel crop and fish grow out stock are transferred to inventory.

Fair values at point of harvest are based on market value or if not available or reliable, then discounted cash flows.

Significant assumptions used in determining the fair value include:

- Expected growth rates, which vary depending on specie and location
- Market price or expected future selling prices, which vary depending on age, location and quality
- Pre-tax discount rate of 10%
- Mortality rates

Biological assets of \$9,630,000 (2013: of \$8,492,000) are included in the security arrangements referred to in note 17.

## 14. Trade and other receivables

	Group	
	2014	2013
	\$000	\$000
Trade receivables	67,237	55,943
Trade receivables – related parties	18,375	16,063
Other receivables	4,705	23,458
Prepayments	4,184	4,479
	<b>94,501</b>	<b>99,943</b>

## 15. Financial assets and liabilities

	Group		Parent	
	2014		2014	
	Loans & receivables	Derivative financial instruments	Loans & receivables	Derivative financial instruments
	\$000	\$000	\$000	\$000
<b>Financial assets</b>				
Fair value forward and option currency contracts	-	8,544	-	-
Fair value interest rate swaps	-	95	-	-
Trade and other receivables	90,317	-	-	-
Cash and cash equivalents	13,666	-	-	-
Related party loans	-	-	199,741	-
	<b>103,983</b>	<b>8,639</b>	<b>199,741</b>	<b>-</b>



## Notes to the financial statements

In New Zealand Dollars

## 15. Financial assets and liabilities (continued)

	Liabilities at amortised cost \$000	Derivative financial instruments \$000	Liabilities at amortised cost \$000	Derivative financial instruments \$000
<b>Financial liabilities</b>				
Fair value forward commodity contracts	-	2,302	-	-
Fair value forward and option currency contracts	-	2,121	-	-
Fair value interest rate swaps	-	1,455	-	-
Shareholder loans	38,461	-	-	-
Bank loans	217,719	-	-	-
Finance lease liabilities	3	-	-	-
Trade and other payables	63,745	-	-	-
	<b>319,928</b>	<b>5,878</b>	<b>-</b>	<b>-</b>

	Group 2013		Parent 2013	
	Loans & receivables \$000	Derivative financial instruments \$000	Loans & receivables \$000	Derivative financial instruments \$000
<b>Financial assets</b>				
Fair value forward commodity contracts	-	447	-	-
Fair value forward and option currency contracts	-	15,413	-	-
Fair value interest rate swaps	-	524	-	-
Trade and other receivables	95,464	-	-	-
Cash and cash equivalents	20,119	-	-	-
Related party loans	-	-	199,741	-
	<b>115,583</b>	<b>16,384</b>	<b>199,741</b>	<b>-</b>

	Liabilities at amortised cost \$000	Derivative financial instruments \$000	Liabilities at amortised cost \$000	Derivative financial instruments \$000
<b>Financial liabilities</b>				
Fair value forward commodity contracts	-	681	-	-
Fair value forward and option currency contracts	-	4,285	-	-
Fair value interest rate swaps	-	2,248	-	-
Shareholder loans	36,201	-	-	-
Bank loans	227,288	-	-	-
Finance lease liabilities	69	-	-	-
Trade and other payables	62,089	-	-	-
	<b>325,647</b>	<b>7,214</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements

in New Zealand Dollars

**16. Capital and reserves****Share capital**

At 30 September 2014 the share capital of the Company comprised 200 fully paid up capital ordinary shares (2013: 200).

**Hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of forward and option currency contracts, interest rate swap contracts and forward commodity contracts related to hedging transactions that have not yet occurred.

**Translation reserve**

The translation reserve comprises all foreign currency differences arising from translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

**Dividends**

No dividend was paid during the year (2013: dividend of \$2,600,000 was declared and paid in December 2012 and a dividend of \$38,571,000 was declared and taken from retained earnings in November 2012).

	Group	
	2014	2013
	\$000	\$000
\$13,000 per ordinary share	-	2,600
\$0.2649 per ordinary share	-	38,571
	-	41,171

**17. Interest bearing loans and borrowings**

	Group	
	2014	2013
	\$000	\$000
<b>Non current</b>		
Secured bank loans	181,813	177,813
Unsecured subordinated shareholder loans	38,461	36,201
Unsecured subordinated bank loans	33,026	47,496
	253,300	261,510
<b>Current</b>		
Secured bank loans	1,445	-
Unsecured subordinated bank loans	1,436	1,979
	2,881	1,979

**Secured Facilities**

The Group's banking secured multi-option facilities are with the syndicate listed below:

- ANZ Bank New Zealand Limited;
- Australia and New Zealand Banking Group Limited (London Branch);
- The Bank of Tokyo-Mitsubishi UFJ, Limited.

The banking facilities include a money market facility (Facility A), a multi-currency cash advances facility (Facility B) which enable the Group to meet its operational and capital expenditure requirements and vessel loans.

## Notes to the financial statements

in New Zealand Dollars

### 17. Interest bearing loans and borrowings (continued)

The repayment dates of the banking facilities as at 30 September 2014 are as follows:

Facility A	31 July 2018	\$6,765,236	(2013: \$17,330,000)
Facility B	31 July 2018	\$46,040,027	(2013: \$55,483,000)
Vessel loans	31 July 2018	\$33,452,565	(2013: nil)
Borrowing Base Facility	31 January 2016	\$97,000,000	(2013: \$105,000,000)

The Group has drawn down from the Borrowing Base Facility which is a committed credit facility and this has been classified as a non-current liability. This facility was refinanced on 8 August 2014 and the repayment date of this facility is January 2016.

The Bank of Tokyo-Mitsubishi UFJ, Limited and ANZ Bank New Zealand Limited secured vessel loans are 5 and 4 year partially amortising loans respectively and NZD \$1,445,000 has been classified as a current liability (2013: nil).

#### Security

The Group's banking syndicated facilities (Facilities A and B), the Borrowing Base Facility and the Bank of Tokyo-Mitsubishi UFJ, Limited vessel loan described above are secured, including by way of all asset security, over all of the assets of the Company and each of the subsidiaries referred to in note 26.

#### Unsecured Facilities

The unsecured subordinated loans have been provided by:

- Nippon Suisan Kaisha Limited for USD 30,000,000, maturing in November 2015;
- The Bank of Tokyo-Mitsubishi UFJ for USD 26,880,000 maturing in July 2018.

The Bank of Tokyo-Mitsubishi UFJ, Limited subordinated loan is a 5 year partially amortising loan and NZD \$1,436,000 has been classified as a current liability (2013: \$1,979,000).

There were no defaults on secured bank loans and any other obligations for the period ended 30 September 2014 (2013: no defaults).

### 18. Capital maintenance

The Group's objective when managing capital is to ensure that the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Group also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Group may from time to time adjust the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Group may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital through the gearing ratio (net debt / total capital). The target for the gearing ratio is between 25% and 45%.



## Notes to the financial statements

in New Zealand Dollars

## 19. Finance lease liabilities

	Group	
	2014	2013
	\$000	\$000
Current	3	68
Non current	-	1
	<b>3</b>	<b>69</b>

Finance lease liabilities are payable as follows:

	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	2014	2014	2014	2013	2013	2013
	\$000	\$000	\$000	\$000	\$000	\$000
Less than 1 year	3	-	3	68	6	62
Between 1 and 5 years	-	-	-	1	-	1
More than 5 years	-	-	-	-	-	-
	<b>3</b>	<b>-</b>	<b>3</b>	<b>69</b>	<b>6</b>	<b>63</b>

## 20. Employee benefits

	Group	
	2014	2013
	\$000	\$000
<b>Non current</b>		
Liability for long-service leave	325	338
	<b>325</b>	<b>338</b>
<b>Current</b>		
Liability for long-service leave	108	133
Liability for annual leave	4,115	4,344
Liability for payroll	1,307	1,545
Other payroll provisions	5,577	131
	<b>11,107</b>	<b>6,153</b>

## 21. Trade and other payables

	Group	
	2014	2013
	\$000	\$000
Trade payables	60,045	61,689
Provisions	3,700	400
	<b>63,745</b>	<b>62,089</b>

## Notes to the financial statements

in New Zealand Dollars

22. Derivative financial instruments	Group	
	2014 \$000	2013 \$000
<b>Current assets</b>		
Forward commodity contracts – cash flow hedges	-	395
Forward currency contracts and currency options – held for trading	212	1,153
Forward currency contracts and currency options – cash flow hedges	7,674	10,751
Interest rate swap contracts – held for trading	59	317
	<b>7,945</b>	<b>12,616</b>
<b>Current liabilities</b>		
Forward commodity contracts – cash flow hedges	1,508	430
Forward currency contracts – held for trading	252	3,819
Forward currency contracts and currency options – cash flow hedges	955	285
Interest rate swap contracts – cash flow hedges	159	1,117
	<b>2,874</b>	<b>5,651</b>
<b>Non current assets</b>		
Forward commodity contracts – cash flow hedges	-	52
Forward currency contracts and currency options – cash flow hedges	658	3,392
Forward currency contracts and currency options – held for trading	-	117
Interest rate swap contracts – cash flow hedges	36	-
Interest rate swap contracts – held for trading	-	207
	<b>694</b>	<b>3,768</b>
<b>Non current liabilities</b>		
Forward commodity contracts – cash flow hedges	714	251
Forward commodity contracts – held for trading	80	-
Forward currency contracts and currency options – cash flow hedges	914	181
Interest rate swap contracts – cash flow hedges	1,296	1,131
	<b>3,004</b>	<b>1,563</b>

## Notes to the financial statements

in New Zealand Dollars

## 22. Derivative financial instruments (continued)

## FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risk arise in the normal course of the Group's business. Foreign exchange contracts are used to hedge exposure to fluctuations in the New Zealand dollar value of purchase payments, and sale receipts in foreign currencies.

## Forward currency contracts – held for trading

The Group has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

The fair values of these contracts are measured by comparing the contract rate to the market rates for contracts with the same maturity. All movements in fair value are recognised in the statement of comprehensive income in the period they occur. The net fair value losses on foreign currency derivatives during the period were a loss of \$320,282 for the Group (2013: Loss \$77,692) and \$nil (2013: nil) for the Company.

## Forward currency contracts and currency options – cash flow hedges

The Group makes sales in several overseas markets, exposing it to exchange rate movements. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts. These contracts are hedging highly probable forecasted sales and they are timed to mature when payments are scheduled to be made.

## Interest rate swaps – cash flow hedges

Interest bearing loans made to the Group currently bear an average variable rate interest rate of 2.67% (2013: 2.83%). In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 51% (2013: 51%) of the principal outstanding and are timed to expire at or before the renewal dates of each loan. For the financial period the fixed interest rates range was between 2.76% and 5.78% (2013: 0.90% and 5.84%) and the variable rates range was between 0.56% and 4.85% (2013: 1.06% and 5.55%).

## Forward commodity contracts – cash flow hedges

The Group's fishing operations have significant fuel usage exposing it to fuel price movements. In order to protect against fuel price movements, the Group has entered into forward commodity contracts. These contracts are hedging highly probable forecasted fuel costs and they are timed to mature when fuel payments are scheduled to be made.

## 23. Operating leases

Non cancellable operating lease rental are payable as follows:

	Group	
	2014	2013
	\$000	\$000
Less than 1 year	4,693	4,481
Between 1 year and 5 years	11,167	12,467
More than 5 years	6,238	7,498
	<b>22,098</b>	<b>24,446</b>

## 24. Capital commitments

As at 30 September 2014 the Company and its subsidiaries had no contractual commitments to purchase property, plant and equipment (2013: nil).

## 25. Contingent liabilities

The Group has provided bank guarantees in respect to associate entities, joint ventures and third parties. As at 30 September 2014 the total bank guarantees amount to \$21,831,766 (2013: \$22,728,614).

## Notes to the financial statements

in New Zealand Dollars

### 26. Related parties

#### a. Subsidiaries

The financial statements included in the consolidated financial statements of Kura Limited and the subsidiaries listed in the following table:

Subsidiaries	% held 2014	% held 2013	Balance date
Sealord Group Limited	100%	100%	30 September
Sealord Charters Limited	100%	100%	30 September
Sealord Shellfish Limited	100%	100%	30 September
Sealord Marine Farms Limited	100%	100%	30 September
Sealord Australia Pty Limited	100%	100%	30 September
Sealord (Europe) Limited	100%	100%	30 September
Sealord Caistor Limited	100%	100%	30 September
Sealord Holdings Inc.	100%	100%	30 September
Sealord (Asia) Limited	100%	100%	30 September
Sealord North America Inc.	100%	100%	30 September
Sealord New Zealand Marketing Limited	100%	100%	30 September
King Reef Seafoods NZ Limited	100%	100%	30 September
Sealord Investments Limited	100%	100%	30 September
Standard 932 Limited	100%	100%	30 September
Sealord King Reef Pty Limited	100%	100%	30 September
Australian Deepwater Fishing Pty Limited	100%	100%	30 September
Azzurro Seafood Pty Limited	100%	100%	30 September
United Fame Investments Limited	100%	100%	30 September
United Fame Investments (Cook Islands) Limited	100%	100%	30 September
Mar Profundo Chile S.A.	100%	100%	31 December
Fifeshire Fishing (1993) Limited	100%	100%	30 September
Wisehold 11 Limited	100%	100%	30 September
Sealord Vessel Management Limited	100%	100%	30 September
Sealord Coated Limited (incorporated 11 September 2014)	100%	-	30 September
NZLL Quota Co Limited *	50%	100%	30 September

\*50% of NZLL Quota Co Limited was sold on 3 March 2014 and is now accounted for as an associate entity in Note 7.



## Notes to the financial statements

in New Zealand Dollars

The principal activities of the Group are the farming, catching, processing and marketing of seafood.

**b. Ultimate parent**

Kura Limited is the ultimate New Zealand parent entity and the ultimate parent of the Group, and is owned in equal proportions by Nippon Suisan Kaisha Limited and Aotearoa Fisheries Limited.

**c. Transactions with related parties**

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

Related party		Sales to related parties	Purchases from related parties	Guarantee / collateral given	Other transactions with related parties
		\$000	\$000	\$000	\$000
<b>Consolidated</b>					
<b>Entities with significant influence</b>					
Nippon Suisan Kaisha Limited and Group – sales of seafood	2014	54,794	-	-	-
	2013	55,045	-	-	-
Nippon Suisan Kaisha Limited – Interest paid	2014	-	-	-	491
	2013	-	-	-	1,062
Aotearoa Fisheries Limited – Lease of quota	2014	-	-	-	205
	2013	-	-	-	-
Aotearoa Fisheries Limited – Ihu to Mai	2014	-	-	-	76
	2013	-	-	-	-
<b>Entities with significant influence Total</b>	2014	54,794	-	-	772
	2013	55,045	-	-	1,062
<b>Associate:</b>					
New Zealand Longline Limited – dividend received	2014	-	-	-	450
	2013	-	-	-	1,353
New Zealand Longline Limited – management fee income	2014	-	-	-	250
	2013	-	-	-	250
New Zealand Longline Limited – expenses recharged	2014	-	-	-	459
	2013	-	-	-	800
New Zealand Longline Limited – purchase of inventories	2014	-	3,280	-	-
	2013	-	1,023	-	-
New Zealand Longline Limited – lease of quota	2014	-	-	-	186
	2013	-	-	-	169
New Zealand Longline Limited – bank guarantee	2014	-	-	-	-
	2013	-	-	1,400	-
Westfleet Seafoods Limited – purchase of inventories	2014	-	815	-	-
	2013	-	2,502	-	-
Westfleet Seafoods Limited – lease of quota	2014	-	-	-	1,125
	2013	-	-	-	-
Westfleet Seafoods Limited – sales commission	2014	-	-	-	186
	2013	-	-	-	-
Westfleet Seafoods Limited – dividend received	2014	-	-	-	806
	2013	-	-	-	721
Westfleet Seafoods Limited – net advances	2014	-	-	-	150
	2013	-	-	-	204

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## Notes to the financial statements

in New Zealand Dollars

26. Related parties (continued)		Sales to related parties	Purchases from related parties	Guarantee / collateral given	Other transactions with related parties
Related party		\$000	\$000	\$000	\$000
Westfleet Fresh Ltd – purchase of inventories	2014	-	-	-	-
	2013	-	13	-	-
North Island Mussel Limited – sale of assets	2014	-	-	-	-
	2013	-	-	-	4,552
North Island Mussel Limited – guarantee	2014	-	-	9,365	-
	2013	-	-	9,365	-
North Island Mussel Limited – purchase of inventories	2014	-	3,421	-	-
	2013	-	12,335	-	-
North Island Mussel Limited – spat and crop sales	2014	3,603	-	-	-
	2013	6,390	-	-	-
North Island Mussel Limited – advance to/(repaid)	2014	-	-	-	450
	2013	-	-	-	(105)
Petuna Aquaculture Pty Limited – marketing commission received	2014	-	-	-	2,549
	2013	-	-	-	1,586
Petuna Aquaculture Pty Limited – marketing cost recharged	2014	-	-	-	329
	2013	-	-	-	-
Petuna Aquaculture Pty Limited – employee costs	2014	-	-	-	-
	2013	-	-	-	90
Petuna Sealord Deepwater Fishing Pty Limited – purchase of inventories	2014	-	4,193	-	-
	2013	-	6,722	-	-
Petuna Sealord Deepwater Fishing Pty Limited – lease of quota	2014	-	-	-	259
	2013	-	-	-	617
Petuna Sealord Deepwater Fishing Pty Limited – vessel charter fee	2014	-	-	-	-
	2013	-	-	-	1,711
Petuna Sealord Deepwater Fishing Pty Limited – bank guarantee	2014	-	-	1,852	-
	2013	-	-	1,854	-
Australian Longline Pty Limited – purchase of inventories	2014	-	11,131	-	-
	2013	-	13,767	-	-
Australian Longline Pty Limited – advances to	2014	-	-	-	-
	2013	-	-	-	3,609
Australian Longline Pty Limited – dividends received	2014	-	-	-	1,676
	2013	-	-	-	3,371
<b>Associate Total</b>	<b>2014</b>	<b>3,603</b>	<b>22,840</b>	<b>11,217</b>	<b>8,875</b>
	<b>2013</b>	<b>6,390</b>	<b>36,362</b>	<b>12,619</b>	<b>18,928</b>
<b>Investments:</b>					
Nordic Seafood A/S – sales of seafood	2014	10,528	-	-	-
	2013	15,230	-	-	-
Europacifico Alimentos del Mar S.L. – sales of seafood	2014	3,628	-	-	-
	2013	3,074	-	-	-
<b>Investments Total</b>	<b>2014</b>	<b>14,156</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>2013</b>	<b>18,304</b>	<b>-</b>	<b>-</b>	<b>-</b>

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## Notes to the financial statements

in New Zealand Dollars

## 26. Related parties (continued)

Related party	Sales to related parties	Purchases from related parties	Guarantee / collateral given	Other transactions with related parties
	\$000	\$000	\$000	\$000
<b>Parent</b>				
<b>Subsidiaries:</b>				
Dividend revenue	2014	-	-	-
	2013	-	-	41,171

All transactions with related parties are at arm's length. No related party advances have been written off or forgiven during the period.

There are no restrictions on the ability of the subsidiaries to transfer funds to the parent in the form of cash dividends, repayment of loans or advances.

## 27. Subsequent event

There were no subsequent events since balance date (2013: nil).

## 28. Assets held for sale

The Group has engaged an agent to facilitate the sale of the North Island marine farm licenses and its 50% shareholding in North Island Mussels Limited. In addition, negotiations are underway for the sale of the Group's interest in Eastern Seafarms Limited. It is highly probable that these sales will take place in the next twelve months.

The assets held for sale represent:

	Group	
	2014	2013
	\$000	\$000
North Island Marine Farms Licenses	1,568	1,568
North Island Mussels Limited Investment	8,111	6,693
Easter Seafarms Limited Investment	650	-
	<u>10,329</u>	<u>8,261</u>



# SEALORD BUSINESS FACTS

**January 2001 to September 2014**



# Overview

## ⊕ Purpose

The purpose of this presentation is to outline key events and developments in Sealord's history since the current shareholding commenced in 2001.

## ⊕ Background

The business environment faced by Sealord over the past 13 years differs greatly from the business case outlined in Nissui's Overseas Investment Commission consent application.

That application reflected the expectations of the company and its shareholders as they were in late 2000:

- a benign exchange rate environment
- stable catch rates
- business growth through higher value added products sold into North American, European and North Asian markets
- market prices rising faster than costs

The reality since that time has been radically different and far less favourable for the business:

- the New Zealand dollar has appreciated strongly against all major currencies from our trading partners
- there have been very significant declines in TACC
- demand in the North American, European and Japanese markets has been constrained by weak economic conditions in these markets
- key operating costs, fuel and labour, have increased at a greater rate than the market prices for Sealord's products
- the decision in 2000 to invest in Argentine fishing company Yuken from early 2001 backfired on the company when the Argentine economy collapsed within months of Sealord's investment



# Sealord's Response

## ➤ Sealord responded to the rapid decline in hoki TACC in 2004/05 by taking a series of dramatic steps:

- on-shore processing capacity was at first reduced by laying off night shift staff, then by the full closure of the Dunedin factory
- fleet capacity was reduced by sale of the three Norwegian built FAS trawlers
- overheads were cut by reducing head office costs

Once hoki TACC volumes started to recover Sealord was left with a sub-optimal fleet configuration and has subsequently had to purchase the Aukaha and Ocean Dawn in order to maintain sufficient FAS capacity

## ➤ Faced with declining sales volumes Sealord restructured its extensive overseas marketing network:

- restructured loss making subsidiaries in Spain into Europacifico (2004), and France and Denmark into Nordic Group (2006)
- sold direct interest in Nordic (2010) and Europacifico (2013), and entered into long term marketing agreements. Sealord also received dividend-earning Nordic 'B' shares as part of that deal
- closed office in North America (2011) and subsequently exited from joint venture with Mazzetta (2013) when it began to incur losses after earlier success
- closed sales office in Japan (2010), choosing instead to market through the Nissui Japan network

## Sealord's Response (cont'd)

- ⊕ **Sealord sought to diversify and grow into new markets, with mixed success:**
  - closed office in Australia and subsequently entered into an alliance with Kailis Bros for frozen products in 2007. Opened office in 2013 with success coming from a fresh fish focus. Terminated its brand user agreement with Simplot
  - acquired quota in Australia, then the King Reef barramundi farming business as well as an interest in Petuna Aquaculture. All of these businesses are profitable
  - undertook unsuccessful fisheries development ventures in Morocco and Greenland
  - invested into expanding mussel processing operations before taking the decision in 2009 to divest these assets due to inconsistent returns
  - successfully invested in processing facilities in Caistor, North Lincolnshire, UK to serve Waitrose's white fish requirements
  - invested in Westfleet (Greymouth, New Zealand). This successful business is currently undergoing expansion with a new factory opening in November 2014
- ⊕ **All the while the Argentine operations weighed heavily on Sealord's operation:**
  - made losses in 7 out of 13 years
  - took a disproportionate amount of management attention

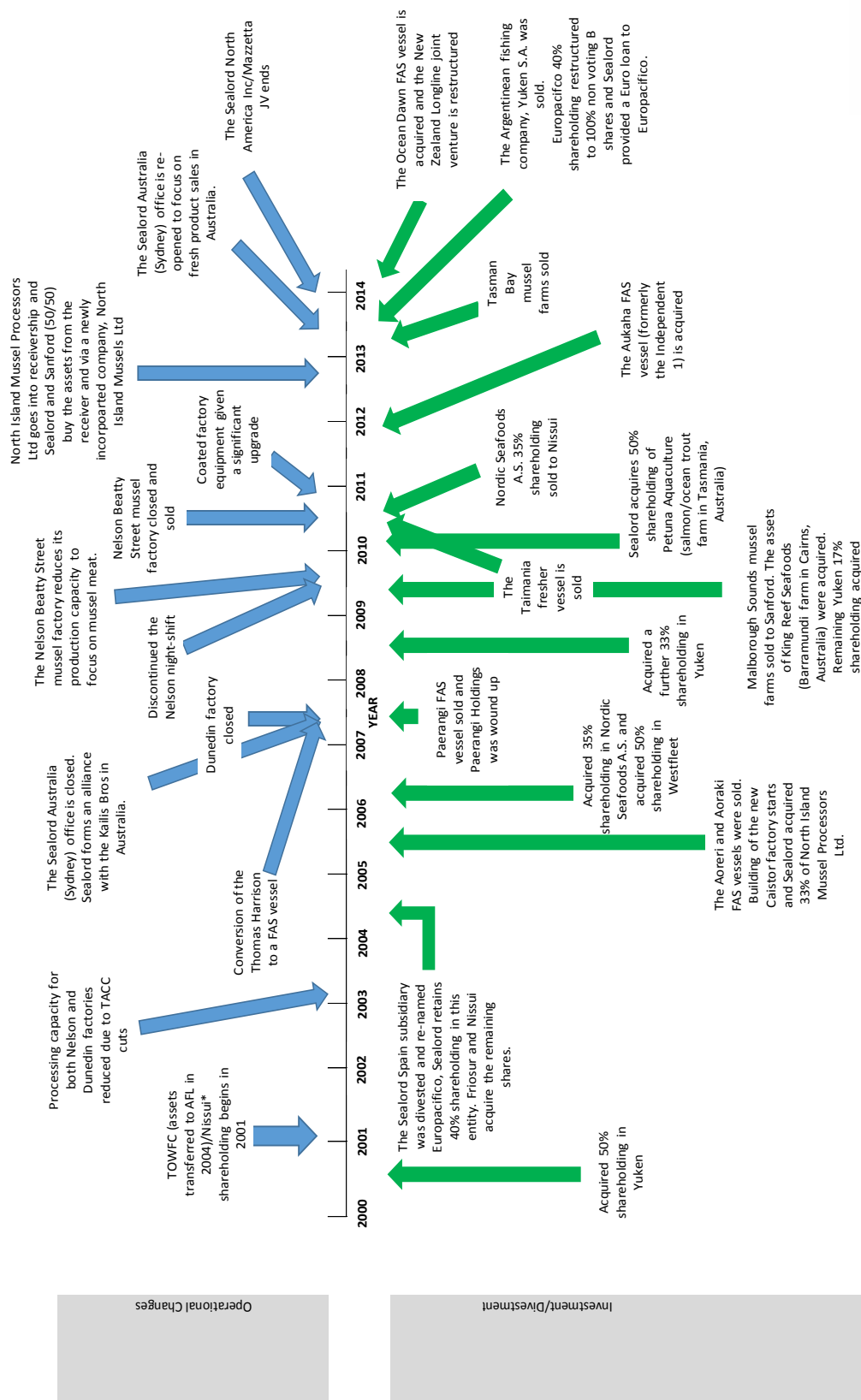
# Sealord Today

- The Sealord Group has successfully emerged from this period of dramatic change and restructuring:
  - Sealord delivered FY14 NPAT of NZD 25.4 million, NZD 5.9 million above budget
  - if this result were to be restated into 2009 exchange rates NPAT would be NZD 68 million, and in 2002 exchange rates NZD 72 million. The appreciation of the NZD over the past 5 years has reduced Sealord's profitability by over NZD 40 million
- Since 2001, the Sealord Group has paid shareholders NZD 145 million in dividends (plus distributed value to the shareholders of NZD 38.6 million through a taxable bonus issue), acquired NZD 40 million of quota in New Zealand and NZD 8.5 million in Australia as well as investing in a number of profitable and/or growing subsidiaries and associate companies:
  - Sealord Caistor (100% owned) FY14 EBIT NZD 3.2 million
  - Sealord King Reef Seafoods (100% owned) FY14 EBIT NZD 0.8 million
  - Westfleet (50% owned) share of FY14 EBIT NZD 3.1 million
  - Petuna Aquaculture (50% owned) share of FY14 EBIT NZD 8.0 million



# Summarised Sealord History of Major Events

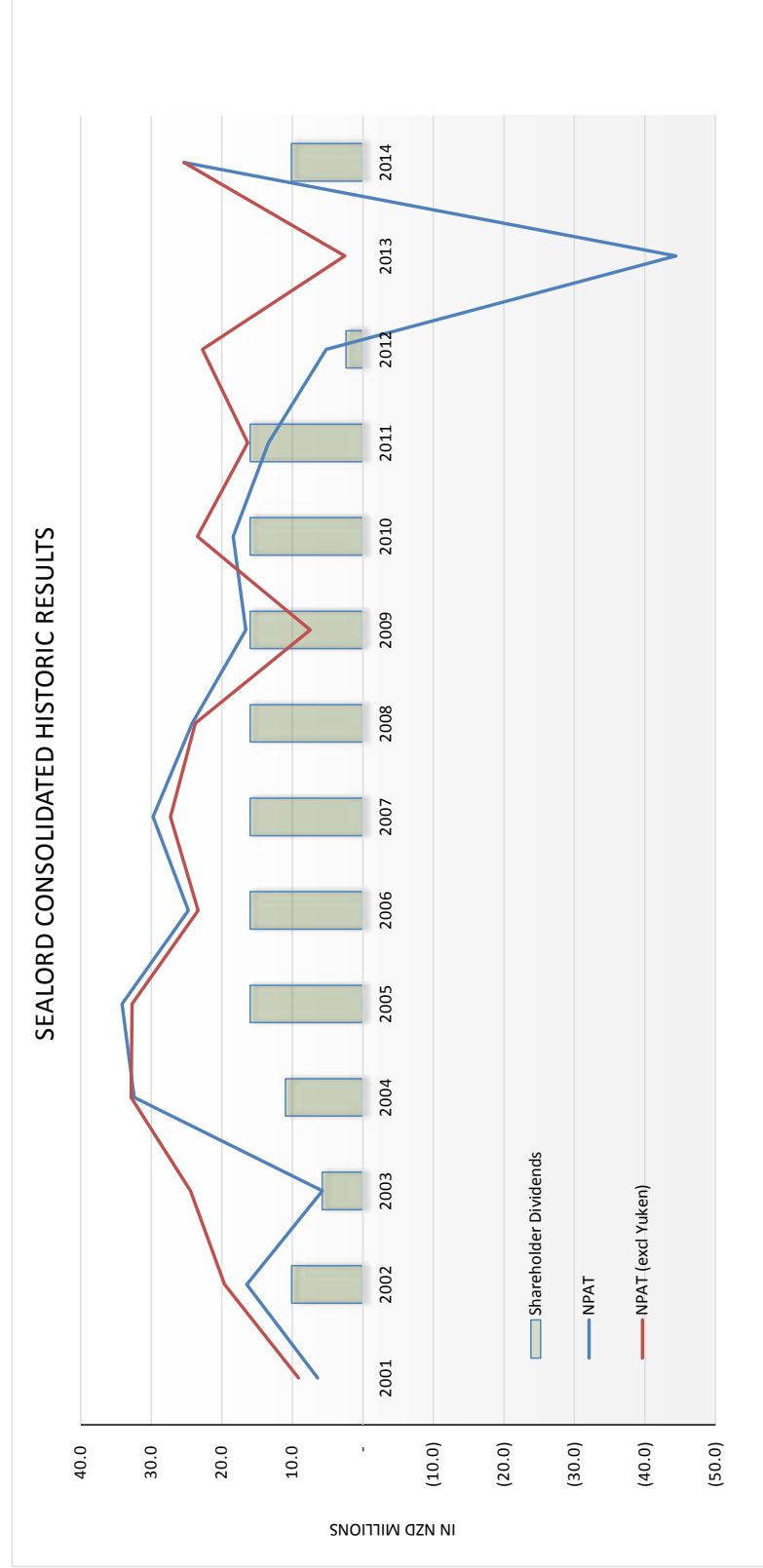
## SEALORD MAJOR EVENT TIMELINE



\* Nissui previously owned 25% of Sealord from 1980 to 1991, before selling its shares to Fletcher Fishing.

# Sealord Group Financial Performance

## • The Group Financial Performance



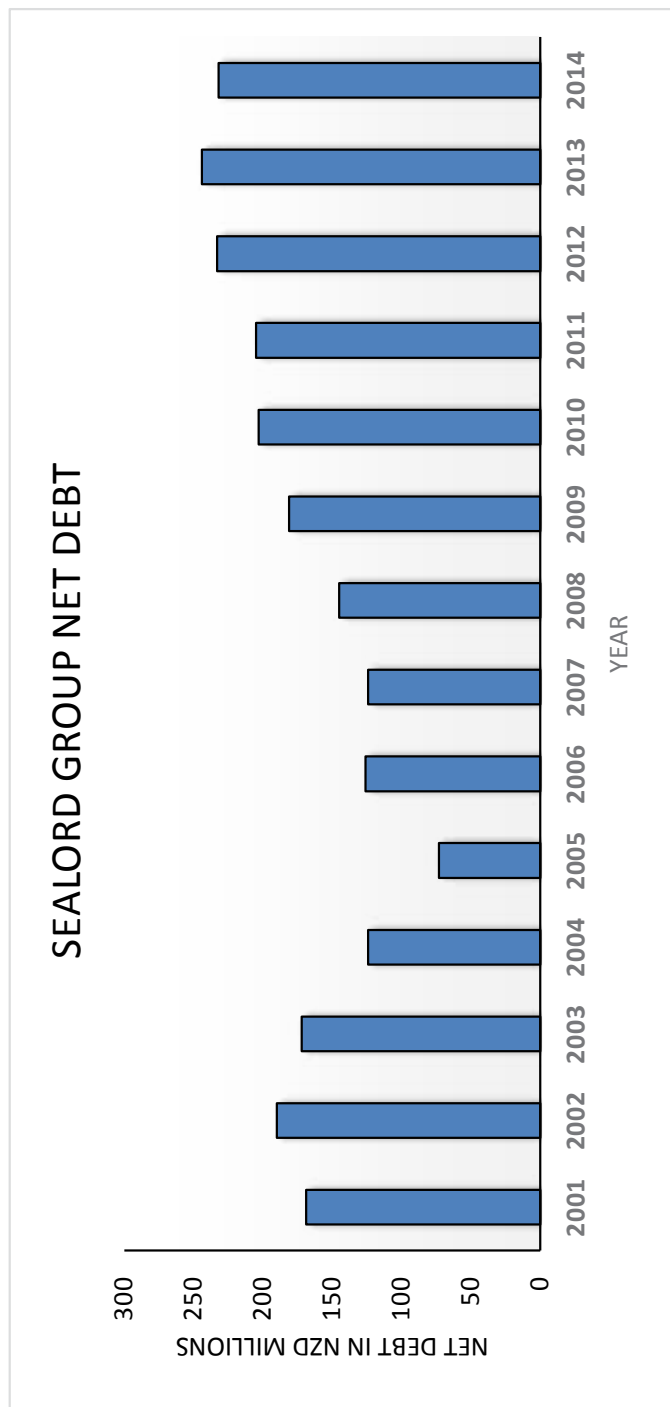
Note: the 2014 dividend has not yet been declared but the value represented here represents 40% of SGL FY14 NPAT

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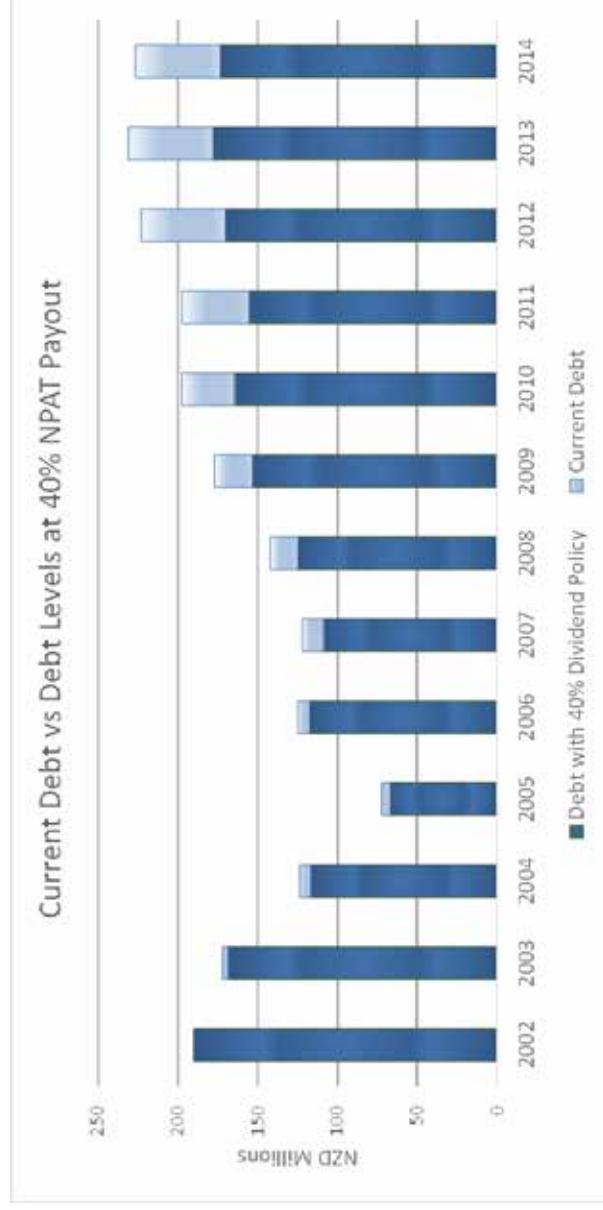
# Sealord Group Net Debt

## Sealord Group Net Debt Position



# Dividend pay-out policy and effect on Net Debt

- Over the period from 2002 to 2012, NZD 145 million of dividends were paid out, representing 64% of total NPAT over the period
- From FY05 to FY11, a dividend pay-out of NZD 16 million per annum was maintained despite declining NPAT, with the pay-out averaging 99% of NPAT over the FY09 to FY11 period
- In FY12, the policy was changed, with a pay-out of 50% of NPAT
- If a similar dividend policy to AFL had been followed (40% of NPAT<sup>1</sup>) over the FY02 to FY12 period, the net debt level would have stabilized at around NZD 173 million, NZD 69 million<sup>2</sup> below actual 2014 net debt. In this case, the FY14 debt / debt+equity ratio would have been 29% rather than the 37% that it is now



Note 1: AFL began paying dividends to its iwi shareholders from FY11. Prior to this, dividends received from Sealord were invested back into the AFL business

Note 2: Including interest cost adjustment at 5%

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## Funding Support Provided by Nissui

### NISSUI FUNDING

In millions

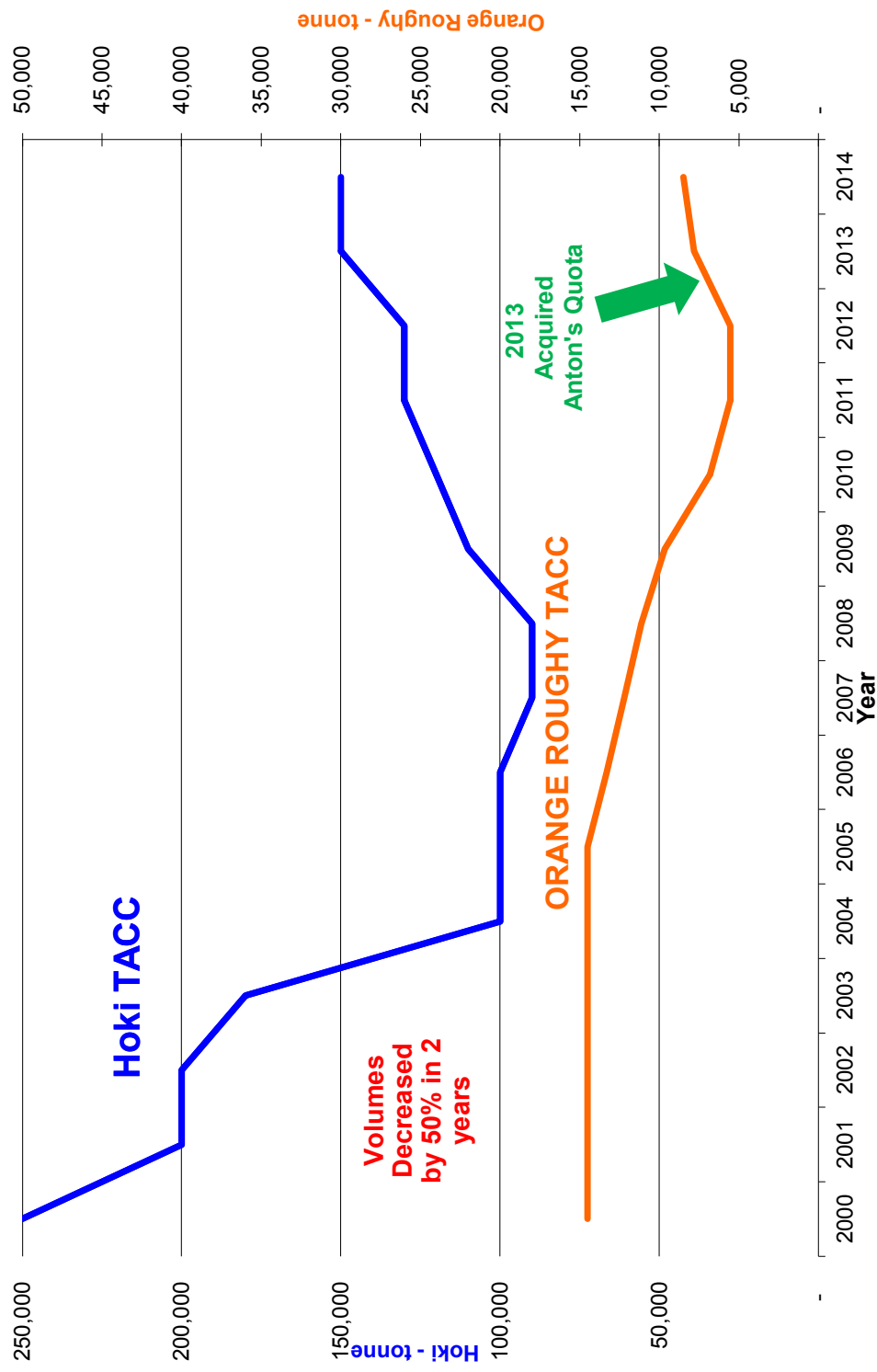
Type of Debt	Amount	Start date	Maturity	Effective rate	Reason for funding
Subordinated*	USD 10m	January 2009	January 2019	4.41%	Yuken share acquisition funding
Subordinated	USD 50m	November 2009	November 2012	0.87%	Yuken and Petuna Aquaculture share acquisition funding
Subordinated	USD 30m	November 2012	November 2015	1.21%	To replace the USD 50m funding which ended November 2012

\* The subordinated USD 10m loan was repaid early in September 2013.

- The USD 50 million was funded by the Japan International Bank for Cooperation (via Nissui) and this enabled Sealord to take advantage of very low interest rates in a period when our banking syndicate was being aggressive and this gave us an opportunity to refinance with a new syndicate led by ANZ, which ultimately led to significant interest savings at that time.
- Nissui has provided “letters of awareness” for Sealord in relation to the Bank of Tokyo Mitsubishi UFJ (BTMU) USD 42 million vessel facility and the NZD 30 million banking syndicate core facility. By Nissui providing the “letters of awareness”, Sealord benefits from Nissui’s internal credit rating with BTMU which gives Sealord access to low interest rates (lower than Australasian banks can offer). Sealord pays an annual service fee to Nissui of 10 basis points per facility for the “letters of awareness”.
- Nissui has partnered with Sealord on a number of ventures (e.g. Nordic Seafood A.S, Europacifico and Australian Longline (Toothfish)), which has made these ventures more affordable for Sealord.

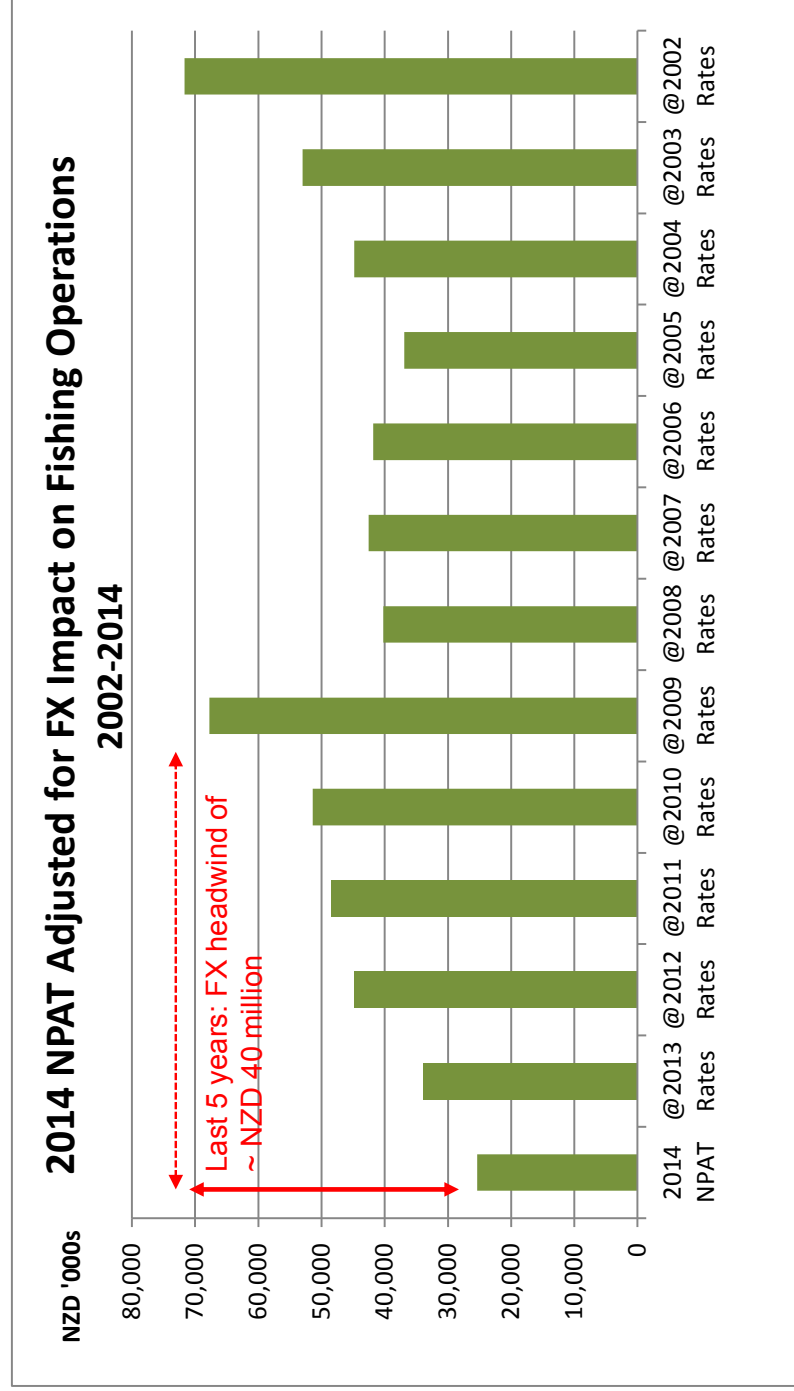


# Annual changes in the Hoki and Orange Roughy TACC



# Rise of the NZD Dollar and its Annual Impact on Earnings

- The chart below takes the Sealord Group 2014 NPAT of NZD 25.4 million (in column 1) and translates this number at the average foreign currency rates for each year since 2002
- Using the 2009 column as an example, if the 2014 Sealord Group plan had been calculated using the monthly average actual foreign exchange rates that occurred during 2009, NPAT would be around NZD 68 million, representing a headwind to the business built up over the last 5 years of over NZD 40 million



# Rise of the NZD Dollar and its Annual Impact on Earnings <sup>(cont'd)</sup>

- The chart below shows the average foreign exchange rates since 2002 for the four main currencies Sealord trades against, with each currency's percentage contribution to total NPAT erosion noted at the foot of the table

FX Rates	NZD/EUR	NZD/JPY	NZD/USD	NZD/AUD
2002	0.4829	55.6500	0.4438	0.8330
2003	0.5067	65.5208	0.5496	0.8975
2004	0.5301	70.2417	0.6453	0.8883
2005	0.5550	75.6267	0.7058	0.9210
2006	0.5329	76.0583	0.6545	0.8766
2007	0.5282	75.9217	0.6514	0.8726
2008	0.5062	81.8583	0.7607	0.8388
2009	0.4400	56.8342	0.5970	0.8157
2010	0.5274	63.9250	0.7134	0.7931
2011	0.5639	63.6983	0.7868	0.7661
2012	0.6152	62.9600	0.7986	0.7757
2013	0.6241	75.8925	0.8188	0.8236
2014	0.6194	85.9770	0.8446	0.9146
NZD Appreciation Exposure	28%	54%	90%	10%
Contribution to NPAT Erosion	29%	26%	14%	31%
	22%	37%	33%	8%



# Sealord Major Investments / Divestments

## INVESTMENT/DIVESTMENT INFORMATION

In NZD millions

Investment description (in NZD millions)	Cost
Yuken S.A (Argentinean fishing company) initial 50% shareholding	9.5
North Island Mussel Processors Ltd (NIMPL)	2.3
Sealord Caistor new factory build	9.7
Nordic Seafoods A.S. 35% shareholding in A shares	18.6
Acquisition of 50% of Westfleet	2.8
Conversion of the Thomas Harrison	2.2
King Reef Seafoods assets	13.0
Yuken S.A (Argentinean fishing company) remaining 50% shareholding	19.2
Petuna Aquaculture 50% shareholding	43.2
Nordic Seafoods A.S. 11% shareholding in B shares*	0.1
Petuna Aquaculture shareholder advance (to funded capital expenditure projects)	6.9
Coated factory equipment upgrade	2.5
Aukaka FAS vessel (including post purchase modifications)	11.9
Ocean Dawn FAS vessel	16.9
Divestment description (in NZD millions)	Proceeds
Aoraki FAS vessel	9.0
Paerangi FAS vessel (owned via Pearangi Holdings)	10.0
Malborough Sound mussel farms	23.4
Taimania Fresh vessel	1.3
Nordic Seafoods A.S. 35% shareholding in A shares*	23.7
Nelson Beatty Street Factory	2.1
Tasman Bay mussel farms	4.1
Yuken S.A (Argentinean fishing company)	0.0
New Zealand Longline restructure	7.5

\* The acquisition of Nordic Seafoods A.S. B shares which was connected with the divestment of Sealord's 35% shareholding in 2010 gives Sealord access to sales rebates.



# Acquisitions of Additional Quota

- The tables below show significant quota purchases since 2001 (in NZD millions)

Description	New Zealand				Australia	
	Seller	2002	2005	2007	2013	
Alfonsino (BYX 2)	Moana Pacific	7.4				
Alfonsino (BYX 3)	Moana Pacific	2.8				
Alfonsino (BYX 3)	Endurance		3			
Bluenose (BNS 3)	Pacifica		0.8			
Elephant (ELE 3)	Pacifica		0.4			
Hapuka (HPB 3)	Pacifica		2			
Ling (LIN 3)	Pacifica		5.7			
School Shark (SCH 3)	Pacifica		0.4			
Rig (SPO 3)	Pacifica		0.7			
Stargazer (STA 3)	Pacifica		0.3			
Tarakahi (TAR 3)	Pacifica		2.3			
Warehou (WAR 3)	Pacifica		0.2			
Other Species	Pacifica		0.6			
Alfonsino (BYX 2 & 3)	Pacific Trawl			1.2		
Big Eye Tuna (BIG 1)	Pacific Trawl			0.6		
Gemfish (SKI 1 & 2)	Pacific Trawl			0.9		
Orange Rough (ORH 2A)	Pacific Trawl			1.5		
Pacific Blue Fin Tuna (TOR 1)	Pacific Trawl			0.3		
Ruby Fish (RBY 2)	Pacific Trawl			0.7		
Southern Blue Fin Tuna (STN 1)	Pacific Trawl			0.2		
Other Species	Pacific Trawl			0.5		
Alfonsino (BYX 1 & 2)	Anton Seafoods				1.1	
Orange Rough (ORH 1 & 2A)	Anton Seafoods				5.7	
Other Species	Anton Seafoods				0.7	
<b>Total New Zealand</b>		<b>10.2</b>	<b>16.3</b>	<b>5.9</b>		<b>7.5</b>

Sealord has invested NZD 47+ million (including minor quota acquisitions) acquiring additional Australasian quota over the last 13 years.

Description	Australia	
	2005	2007
Blue Grenadier, Pink ling and other minor species	1.3	7.2
<b>Total</b>	<b>1.3</b>	<b>7.2</b>



# Australian Investment and subsequent Financial Performance

## Petuna Aquaculture's Financial Performance

AUD 000's	Year 1 ending Jun 2010 ACTUAL	Year 2 ending Jun 2011 ACTUAL	Year 3 ending Jun 2012 ACTUAL	Year 4 ending Jun 2013 ACTUAL	Year 5 ending Jun 2014 ACTUAL
Opening Investment	35,000	35,000	37,680	40,430	44,303
+ retained earnings	0	2,680	2,750	3,873	1,539
Loan	0	5,500	5,500	5,973	6,377
+ interest income accrued	0	406	473	404	113
- interest cash payment	0	(406)	-	-	(990)
<b>Total Sealord Investment in Petuna</b>	<b>35,000</b>	<b>43,180</b>	<b>46,403</b>	<b>50,680</b>	<b>51,342</b>
<i>[Numbers below are Sealord's 50% share]</i>					
NPBT	2,518	2,773	1,567	3,634	6,324
Fair Value	490	824	3,957	(1,657)	1,721
<b>NPBT (adj for FV)</b>	<b>3,008</b>	<b>3,597</b>	<b>5,524</b>	<b>1,977</b>	<b>8,045</b>
- Income Tax	(181)	(600)	(464)	(935)	(1,812)
- Tax provision on FV	(147)	(247)	(1,187)	497	(516)
<b>NPAT</b>	<b>2,680</b>	<b>2,750</b>	<b>3,873</b>	<b>1,539</b>	<b>5,717</b>
<b>SEALORD ROI</b>	<b>7.7%</b>	<b>6.4%</b>	<b>8.3%</b>	<b>3.0%</b>	<b>11.1%</b>

- The shareholder advances (loans) are scheduled for full repayment to shareholders in April 2015.



# Australian Investment and subsequent Financial Performance

(cont'd)

## PETUNA SEALORD DEEPWATER FISHING JV

In NZD millions

Australian Deepwater Fishing Pty Ltd  
acquired quota for use by the Petuna  
Sealord Deepwater Fishing JV

Financial Performance (50% share)		
Year	Quota Acquired	EBIT
2005	1.3	-0.1
2006		0.2
2007	7.2	0.2
2008		0.1
2009		0.5
2010		0.0
2011		0.3
2012		0.4
2013		-0.5
2014		0.3

## KING REEF SEAFOODS LTD

In NZD millions

Sealord acquired King Reef Seafoods  
(Barramundi farm) assets

Financial Performance (100% owned)		
Year	Acquisition costs	EBIT
2009	13.0	0.0
2010		-3.0
2011		-5.3
2012		-2.2
2013		0.4
2014		0.8



## UK Factory (Caistor) and Westfleet Financial Performance

### Sealord UK Financial Performance In NZD millions

The financial performance is a consolidation of the following entities:

- Sealord Europe
- Sealord Caistor
- Keith Graham (wound up 2010)

Financial Performance (100% owned)		
Year	New Factory	EBIT
2002		3.1
2003		4.1
2004		3.4
2005		3.7
2006	9.7	9.0
2007		8.1
2008		8.0
2009		8.8
2010		8.5
2011		5.7
2012*		2.1
2013		2.3
2014		3.1

\* Waitrose override started

### Westfleet joint venture financial performance In NZD millions

Financial Performance (50% share)		
Year	Acquisition	NPBT
2007	2.8	0.1
2008		1.1
2009		0.6
2010		0.4
2011		1.5
2012		2.1
2013		2.3
2014		3.1

## Sealord Geographic Subsidiary Locations: 2001 vs 2014

Country	2001	2014	Commentary
New Zealand	Nelson	Nelson	Marketing and fish processing operation
	Dunedin	-	Closed Dunedin factory 2007
	-	Auckland	Opened marketing office 2003. Corporate started in 2008/2009
Australia	Sydney	Sydney	Closed the Australian marketing office in 2007, reopened in 2013
	-	Cairns	King Reef operation purchased 2009
Hong Kong	Hong Kong	Hong Kong	Marketing office
Japan	Japan	-	Closed the Japan marketing office in 2010. Japanese sales now made to Nissui
USA	Chicago	-	Mazzetta partnership expired in 2013/2014
Spain	Derio	-	The Spanish office was originally wholly owned, then became an associate (40% ownership) and then an investment (100% of the B shares which have no voting rights)

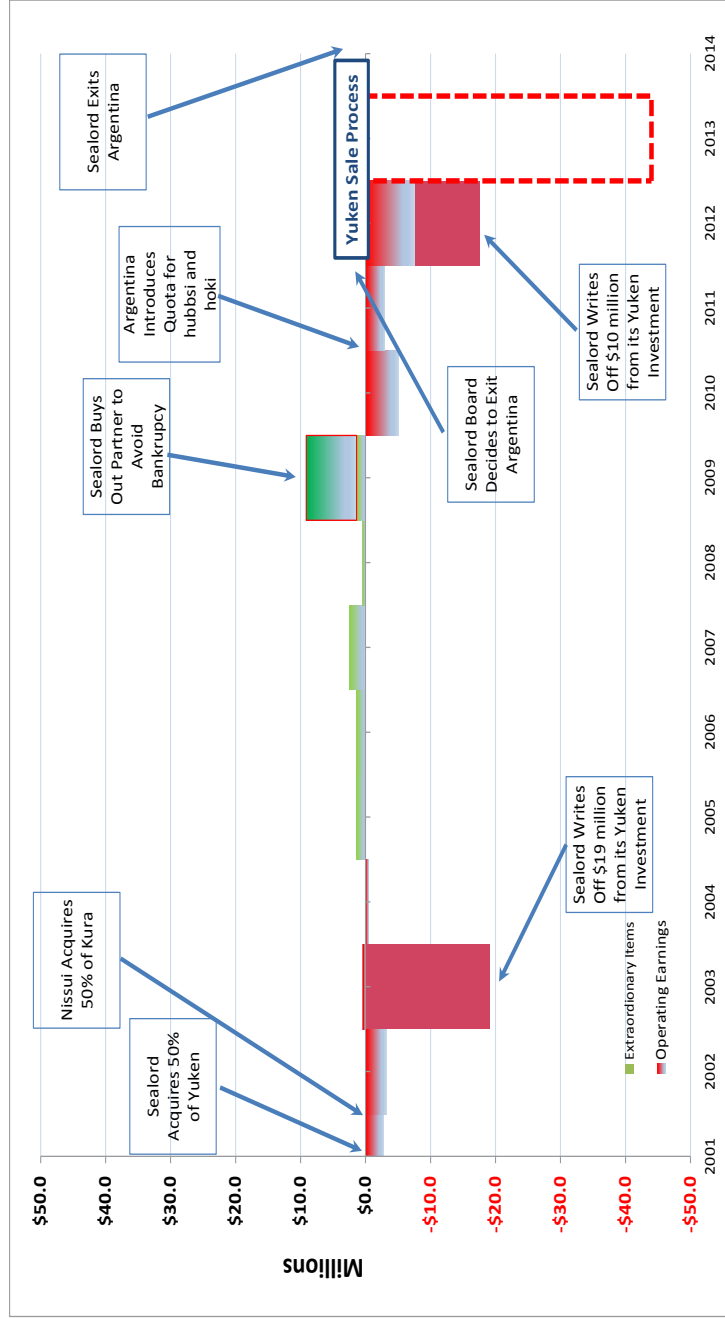


## Sealord Geographic Subsidiary Locations: 2001 vs 2014 <sup>(cont'd)</sup>

Country	2001	2014	Commentary
United Kingdom	Caistor & Grimsby	Caistor & Grimsby	Fish processing operations
	Louth	-	The UK marketing office became part of Nordic Seafoods in 2006
France	Paris	-	The French marketing office became part of Nordic Seafoods in 2006
Denmark	Svendborg	-	JP Klausen (83% owned) became part of Nordic Seafoods in 2006
Argentina	Buenos Aires	-	Argentina investment sold/written-off in 2013

# Divestment Cost of Argentine (Yuken) Investment

- The diagram below shows profit and loss history and the divestment cost of the Argentinian (Yuken) investment



Argentina (Yuken) divestment cost  
In NZD millions

Cost	
47	
21	
68	

Divestment cost 2013  
Prior year impairments 2003-2012  
Total