

Financial Statements

TAUKĪ TAHUA PŪTEA

FOR THE YEAR ENDED 30 SEPTEMBER 2017



taukī tapatahi moni whiwhi — consolidated income statement

FOR THE YEAR ENDED 30 SEPTEMBER 2017

\$000	Note	2017	2016
Sale of goods		144,282	170,349
Other revenue		7,884	6,777
Total revenue	14	152,166	177,126
Cost of sales	12	(120,947)	(141,826)
Gross profit		31,219	35,300
Other income	13	5,900	446
Distribution expenses	12	(4,985)	(6,376)
Administrative expenses	12	(16,557)	(15,420)
Goodwill impairment	9	(4,888)	(1,174)
Finance expenses	12	(3,703)	(4,112)
Share of Sealord profit	4	9,269	11,470
Share of profit of associates and joint ventures	5	3,868	1,218
Profit before income tax		20,123	21,352
Income tax expense	17	(863)	(1,933)
Profit for the period		19,260	19,419

The above Income Statement should be read in conjunction with the accompanying notes.

taukī tapatahi whānui moni whiwhi — consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER 2017

\$000	Note	2017	2016
Profit for the period		19,260	19,419
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss (Losses) / gains from:			
Cash flow hedges	2	(212)	1,716
Share of Sealord other comprehensive income	4	5,528	379
Income tax relating to components of comprehensive income	2 & 18	37	(300)
Other comprehensive income for the year net of tax		5,353	1,795
Total comprehensive income for the year net of tax, attributable to the shareholders		24,613	21,214

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

ripanga kaute tapatahi o te tūranga pūtea

— consolidated statement of financial position

AS AT 30 SEPTEMBER 2017

\$000	Note	2017	2016
Assets			
Current assets			
Cash and bank balances	20	1,513	1,255
Trade and other receivables	21	13,729	19,217
Inventories	22	6,878	7,613
Biological assets	8	7,111	7,382
Income tax	17	326	-
Derivative financial instruments	27	394	1,016
Total current assets		29,951	36,483
Non-current assets			
Property, plant and equipment	23	55,739	53,147
Investment in Sealord Group Limited	4	196,747	182,702
Investments in associates and joint ventures	5	7,625	6,228
Quota shares	7	238,983	243,027
Goodwill	9	4,710	9,598
Intangibles	24	5,856	5,638
Financial assets		2,009	1,984
Deferred tax	18	819	1,243
Total non-current assets		512,488	503,567
Total assets		542,439	540,050
Liabilities			
Current liabilities			
Cash and bank balances	20	-	1,370
Trade and other payables	25	12,401	9,328
Provisions	10	12,168	10,699
Redeemable preference shares	11	20,000	20,000
Derivative financial instruments	27	596	736
Income tax	17	-	819
Total current liabilities		45,165	42,952
Non-current liabilities			
Borrowings	26	59,334	73,498
Derivative financial instruments	27	1,445	2,059
Total non-current liabilities		60,779	75,557
Total liabilities		105,944	118,509
Net assets		436,495	421,541
Equity			
Shareholders' equity			
Capital contributed	2	286,979	286,979
Cash flow hedging reserve	2	(1,396)	(1,221)
Associates' derivative financial instruments and other reserves (restated)	4	(4,893)	(10,421)
Retained earnings (restated)	4	155,805	146,204
Total shareholders' equity		436,495	421,541

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

For and on behalf of the board, who authorised the issue of these Financial Statements on 22 November 2017



Whaimutu Dewes
Chairman



Hinerangi Raumati
Chair of the Audit and Risk Committee

taukī tapatahi tūtanga rerekētanga — consolidated statement of changes in equity

FOR THE YEAR ENDED 30 SEPTEMBER 2017

\$000	Note	Capital contributed	Cash flow hedging reserve	Associates' derivative financial instruments & other reserves	Retained earnings	Total equity
Balance at 1 October 2016 (restated)	4	286,979	(1,221)	(10,421)	146,204	421,541
Net profit		-	-	-	19,260	19,260
Other comprehensive income for the year, net of tax		-	(175)	5,528	-	5,353
Dividend provision	3	-	-	-	(9,659)	(9,659)
Balance at 30 September 2017		286,979	(1,396)	(4,893)	155,805	436,495
Balance at 1 October 2015 (restated)	4	286,979	(2,637)	(10,800)	135,022	408,564
Net profit		-	-	-	19,419	19,419
Other comprehensive income for the year, net of tax		-	1,416	379	-	1,795
Dividend provision	3	-	-	-	(8,237)	(8,237)
Balance at 30 September 2016 (restated)		286,979	(1,221)	(10,421)	146,204	421,541

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

taukī tapatahi aurere pūtea

— consolidated statement of cash flows

FOR THE YEAR ENDED 30 SEPTEMBER 2017

\$000	Note	2017	2016
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		151,923	169,228
Interest received		114	242
		152,037	169,470
Cash was disbursed to:			
Payments to suppliers and employees		127,046	150,267
Interest paid		3,703	4,112
Taxation paid		1,925	-
		132,674	154,379
Net cash flows from operating activities	15	19,363	15,091
Cash flows from investing activities			
Cash was provided from:			
Dividends received		7,063	2,024
Sale of property, plant and equipment		9,373	273
		16,436	2,297
Cash was disbursed to:			
Purchase of property, plant and equipment		7,289	10,018
Acquisition of intangibles		645	456
Loan to Sealord		3,500	3,500
		11,434	13,974
Net cash flows from investing activities		5,002	(11,677)
Cash flows from financing activities			
Cash was provided from:			
Proceeds of borrowings		3,500	3,500
		3,500	3,500
Cash was disbursed to:			
Repayment of borrowings		18,000	1,500
Dividends paid to shareholders		8,237	6,385
		26,237	7,885
Net cash flows from financing activities		(22,737)	(4,385)
Net increase/(decrease) in cash held		1,628	(971)
Cash at the beginning of the period		(115)	856
Effects of exchange rate on cash held in foreign currencies		-	-
Cash at the end of the year	20	1,513	(115)
Comprising:			
Cash and bank balances		1,513	(115)

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to Financial Statements

PITOPITO KÖRERO MŌ NGĀ
TAUKĪ PŪTEA

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Contents

1. Reporting Entity and Basis of Presentation	68
2. Shareholders' Equity	69
3. Dividend Declared	71
4. Investment in Sealord Group	71
5. Investments in Subsidiaries, Associates and Joint Ventures	73
6. Related Party Transactions	75
7. Quota Shares	77
8. Biological Assets	77
9. Goodwill	78
10. Provisions	79
11. Redeemable Preference Shares	80
12. Expenses	80
13. Other Income	81
14. Revenue	81
15. Cash Flow Statement Reconciliation	82
16. Operating Lease Arrangements	82
17. Current Tax	83
18. Deferred Tax	84
19. Imputation Credit Account	84
20. Cash and Bank Balances	85
21. Trade and Other Receivables	85
22. Inventories	86
23. Property, Plant and Equipment	86
24. Intangibles	88
25. Trade and Other Payables	88
26. Borrowings	89
27. Risk Management	90
28. Commitments	97
29. Contingent Liabilities and Contingent Assets	97

pitopito kōrero mō ngā tauĭ pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. Reporting Entity and Basis of Presentation

Corporate Information

Aotearoa Fisheries Limited, trading as Moana New Zealand (the Company) was incorporated in New Zealand on 26 November 2004. The Moana New Zealand Group of Companies consists of the Company, its subsidiaries and associates (the Group).

The Group's principal activities during the year were the harvesting, procurement, farming, processing, and marketing of sustainably produced seafoods to consumers in domestic and major international markets. The registered office of the Group is 1-3 Bell Avenue, Mt Wellington, Auckland.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except where indicated otherwise within the specific accounting policies.

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

Statement of Compliance

These general purpose financial statements for the year ended 30 September 2017 have been prepared in accordance with generally accepted accounting practice (GAAP), and comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ('IFRS'), and with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Māori Fisheries Act 2004.

New Accounting Standards and Interpretations

The Group adopts new standards and interpretations in the period in which they become mandatory. None had a material impact on these financial statements.

There are a number of Standards, Amendments and Interpretations which have been approved but are not yet effective. The Group expects to adopt these when they become mandatory. None are expected to result in a material impact on the Group's financial statements. The exact impact will be fully assessed in the year they are adopted.

Accounting Policies

There have been no changes in accounting policies.

Basis of Consolidation

The financial statements incorporate the financial statements of the Company and all subsidiaries (these are entities controlled by the Company and significant subsidiaries are listed in note 5, collectively the Group). Control is achieved where the Company has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to use this power to influence these returns.

All significant inter-company transactions are eliminated on consolidation. Subsidiaries' accounting policies are consistent with the policies adopted by the Group.

Significant Accounting Judgements, Estimates and Assumptions

Management is required to make judgements, estimates, and assumptions that affect the reported amounts in the financial statements. Management bases its judgements and estimates on historical experience and on other various other factors it believes to be reasonable under the circumstances. Actual results may differ from these estimates. The principal areas of judgements and estimates made in preparing the financial statements include tax, estimating useful lives of assets, impairment of quota and goodwill, and marine biological assets. Further details of these judgements may be found in the relevant notes to the financial statements.

pitopito kōrero mō ngā taukī pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. Shareholders' Equity

(a) Capital Contributed

Pursuant to the Māori Fisheries Act, the Company received certain assets and liabilities in 2004, of which the net fair value was treated as a shareholders' capital contribution.

The following table is a summary of the share capital.

	2017 Number of shares	2017 Book value of shares \$000	2016 Number of shares	2016 Book value of shares \$000
Voting shares	125,000	-	125,000	-
Income shares (fully paid)	250,000	286,979	250,000	286,979
Shares at end of year	375,000	286,979	375,000	286,979

(b) Voting Shares

All the voting shares are held with Te Ohu Kai Moana Trustee Limited, and confer all the rights to vote as under the Companies Act. The voting shares have no rights to dividends or other distributions.

(c) Income Shares

Under the Māori Fisheries Act, 80% of the income shares are to be held with mandated Iwi organisations, with Te Ohu Kai Moana Trustee Limited holding 20%. Te Ohu Kai Moana Trustee Limited is still holding income shares in trust for Iwi that have yet to be allocated under the Māori Fisheries Act. Income shares carry an equal right to dividends and share in other distributions, including assets on a wind-up.

	2017 Number of shares	2017 % of total shares	2016 Number of shares	2016 % of total shares
Te Ohu Kai Moana Trustee Limited (to be allocated)	3,332	1.33%	3,332	1.33%
Te Ohu Kai Moana Trustee Limited (held on trust)	50,000	20.00%	50,000	20.00%
Ātiawa Ki Whakarongotai Holdings Limited	146	0.06%	146	0.06%
Ātiawa Nui Tonu Fisheries Limited	518	0.21%	518	0.21%
Hokotehi Settlement Quota Holding Company Limited	176	0.07%	176	0.07%
Ika Toa Limited	1,532	0.61%	1,532	0.61%
Kahungunu Asset Holding Company Limited	15,748	6.30%	15,748	6.30%
Koata Limited	260	0.10%	260	0.10%
Maruehi Fisheries Limited	486	0.19%	486	0.19%
Muaūpoko Trading Company Limited	560	0.22%	560	0.22%
Ngāi Tahu Fisheries Investments Limited	12,220	4.89%	12,220	4.89%
Ngāi Tāmanuhiri Asset Holding Company Limited	356	0.14%	356	0.14%
Ngāitakoto Holdings Limited	150	0.06%	150	0.06%
Ngāi Te Rangi Fisheries AHC Limited	3,078	1.23%	3,078	1.23%
Ngāpuhi Asset Holding Company Limited	31,582	12.63%	31,582	12.63%
Ngāruahine Fisheries Limited	964	0.39%	964	0.39%
Ngāti Apa Developments Limited	724	0.29%	724	0.29%

pitopito kōrero mō ngā taukī pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	2017 Number of shares	2017 % of total shares	2016 Number of shares	2016 % of total shares
Ngāti Apa Ki Te Rā Tō Assets Holding Company Limited	192	0.08%	192	0.08%
Ngāti Awa Asset Holdings Limited	3,902	1.56%	3,902	1.56%
Ngāti Kahu Fisheries Limited	2,134	0.85%	2,134	0.85%
Ngāti Manawa Tokowaru Asset Holding Company Limited	462	0.18%	462	0.18%
Ngāti Maru (Taranaki) Fishing Limited	266	0.11%	266	0.11%
Ngāti Mutunga o Wharekauri Asset Holding Company Limited	334	0.13%	334	0.13%
Ngāti Porou Seafoods Limited	18,732	7.49%	18,732	7.49%
Ngāti Pūkenga Iwi Fish Holdings Limited	366	0.15%	366	0.15%
Ngāti Ranginui Fisheries Holding Company Limited	1,952	0.78%	1,952	0.78%
Ngāti Rārua Asset Holding Company Limited	238	0.10%	238	0.10%
Ngāti Ruanui Fishing Limited	1,672	0.67%	1,672	0.67%
Ngāti Tūwharetoa Fisheries Holdings Limited	10,078	4.03%	10,078	4.03%
Ngāti Whare Holdings Limited	206	0.08%	206	0.08%
Ngāti Whātua Fisheries Limited	3,862	1.54%	3,862	1.54%
Ngātiwai Holdings Limited	1,212	0.48%	1,212	0.48%
Pare Hauraki Asset Holdings Limited	4,012	1.60%	4,012	1.60%
Rangitāne Holdings Limited	370	0.15%	370	0.15%
Rangitāne o Te Ika A Maui Limited	978	0.39%	978	0.39%
ROTAB Investments Limited	2,666	1.07%	2,666	1.07%
Raukawa Ki Te Tonga AHC Limited	5,800	2.32%	5,800	2.32%
Rongowhakaata Iwi Asset Holding Company Limited	1,098	0.44%	1,098	0.44%
Tama Asset Holding Company Limited	184	0.07%	184	0.07%
Taranaki Iwi Fisheries Limited	1,768	0.71%	1,768	0.71%
Te Aitanga ā Māhaki Trust Asset Holding Company Limited	1,326	0.53%	1,326	0.53%
Te Arawa Fisheries Holding Company Limited	11,936	4.77%	11,936	4.77%
Te Ātiawa (Taranaki) Holdings Limited	4,166	1.67%	4,166	1.67%
Te Ātiawa Asset Holding Company Limited	578	0.23%	578	0.23%
Te Aupōuri Asset Holding Company Limited	2,406	0.96%	2,406	0.96%
Te Hoiere Asset Holding Company Limited	372	0.15%	372	0.15%
Te Kumukumu Limited	668	0.27%	668	0.27%
Te Kupenga o Maniapoto Limited	9,086	3.63%	9,086	3.63%
Te Pataka O Tangaroa Limited	968	0.39%	968	0.39%
Te Patiki Holdings Limited	306	0.12%	306	0.12%
Te Urungi O Ngāti Kuri Limited	1,426	0.57%	1,426	0.57%
Te Waka Pūpuri Pūtea Limited	3,534	1.41%	3,534	1.41%
Tūhoe Fish Quota Limited	8,754	3.50%	8,754	3.50%
Waikato-Tainui Fisheries Limited	13,702	5.48%	13,702	5.48%
Whaingaroa Fisheries Company Limited	600	0.24%	600	0.24%
Whakatōhea Fisheries Asset Holdings Company Limited	2,976	1.19%	2,976	1.19%
Whanganui Iwi Fisheries Limited	2,880	1.15%	2,880	1.15%
Total shares	250,000	100.00%	250,000	100.00%

pitopito kōrero mō ngā taukī pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

(d) Cash Flow Hedging Reserve

\$000	2017	2016
Balance at beginning of the year	(1,221)	(2,637)
Net losses on cash flow hedges (post tax)	(175)	1,416
Balance at end of the year	(1,396)	(1,221)

This reserve records the gains or losses on cash flow hedging instruments that are determined to be effective hedges.

The cumulative deferred gain or loss on hedges is recognised in the Income Statement when the hedged transaction impacts revenue or expense, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy (refer note 27).

3. Dividend Declared

On 22 November 2017, the Directors approved a gross dividend of \$11.7 million (2016: \$10.0 million), resulting in a net cash dividend after Māori authority credits to shareholders of \$9.7 million. This has been accrued in the financial statements under the requirements of the Māori Fisheries Act 2004, to pay at least 40% of profit back to shareholders. The dividend will be paid in December 2017.

The dividend is calculated as follows:

\$000	2017	2016
Profit for the year	19,260	19,419
Adjust for unrealised goodwill write down	4,888	1,174
Adjusted profit number	24,148	20,593
Dividend at 40%	9,659	8,237

The following shows the dividend components:

\$000	2017	2016
Dividend declared after balance date	11,708	9,984
Māori authority credits	(2,049)	(1,747)
Net cash dividend to shareholders	9,659	8,237
Dividend per share	\$38.64	\$32.95

4. Investment in Sealord Group

(a) Investment Details

Kura Limited is the 100% owner of Sealord Group Limited (Sealord), with Moana New Zealand owning a 50% interest in Kura Limited. Kura Limited is a joint venture incorporated in New Zealand, with Nippon Suisan Kaisha Limited owning the other 50% ownership interest and voting rights. The principal activities of Sealord are catching, procurement, processing and marketing of seafood in New Zealand and internationally. The Company's investment in Sealord is accounted for using the equity accounting method as outlined in note 5.

During the year, the Company advanced to Sealord a second loan of \$3.5 million (\$3.5 million advanced in 2016) for the construction of a new deep sea vessel. An equivalent loan to Sealord was also made by Nippon Suisan Kaisha Limited. The loans to Sealord are for five years, renewable for a further three years and are unsecured. Moana New Zealand charges interest to Sealord at the same interest cost to Moana New Zealand from its banker. Further details of this loan are described in note 26.

In September 2017 Kura Limited conducted a review of the foreign currency translation reserve balance within equity. The balance within the reserve was unable to be fully supported. The impact of this error to the reserve balance is within equity, with net assets and total equity correctly stated. The error has been corrected in Kura Limited by restating the opening retained earnings in the comparative period and the foreign currency translation reserve balances for the impact in prior periods.

pitopito kōrero mō ngā tauĭ pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The error has been corrected in Moana New Zealand by restating the opening retained earnings in the comparative period and the associates' derivative financial instruments & other reserves for the impact in prior periods as follows:

\$000	30 September 2016 (restated)	30 September 2016 (as reported)	1 October 2015 (restated)	1 October 2015 (as reported)
Retained earnings	146,204	163,373	135,022	152,191
Associates' derivative financial instruments and other reserves	(10,421)	(27,590)	(10,800)	(27,969)
\$000			2017	2016
Kura Limited			196,747	182,702

(b) Movements in Carrying Amount

The movement in the carrying value of the investment in Kura Limited is as follows:

\$000	2017	2016
Balance 1 October	182,702	169,378
Share of profit/ (loss) after tax	9,269	11,470
Share of other comprehensive income	5,528	379
Share of dividends	(4,588)	(2,023)
Loan advance	3,836	3,498
Balance at 30 September	196,747	182,702

(c) Summarised Financial Information

The summarised financial information is extracted from the audited Kura Limited Statement of Financial Position:

\$000	As at 30 September 2017	As at 30 September 2016
Current assets	182,473	205,770
Non-current assets	555,855	544,525
	738,328	750,295
Current liabilities	(170,621)	(83,349)
Non-current liabilities	(144,289)	(263,889)
	(314,910)	(347,238)
Net assets	423,418	403,057

\$000	For the year ended 30 September 2017	For the year ended 30 September 2016
Revenue	378,037	454,291
Expenses	(359,500)	(431,352)
Profit for the year	18,537	22,939
Other comprehensive income	11,056	758
Total comprehensive income for the year	29,593	23,697

Included within the summarised financial information are the following items, extracted from the audited Kura Limited Statement of Financial Position:

pitopito kōrero mō ngā tauĭ pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

\$000	As at 30 September 2017	As at 30 September 2016
Cash and cash equivalents	92,806	120,563
Current financial liabilities (excluding trade and other payables and provisions)	(106,905)	(10,764)
Non-current financial liabilities (excluding trade and other payables and provisions)	136,444	(259,645)
Depreciation and amortisation	(12,600)	(11,249)
Interest income	106	87
Interest expense	(8,921)	(10,266)
Income tax expense	6,647	4,096

5. Investments in Subsidiaries, Associates and Joint Ventures

The Group's share of results of equity accounted joint ventures and associates are included in these consolidated financial statements from the date that joint control or significant influence begins, until the date that joint control or significant influence ceases.

Under the equity method, an investment in a joint venture or associate is initially recognised in the balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture or associate less any impairment losses.

Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment and is assessed for impairment as part of that investment.

(a) Investment Details

\$000	2017	2016
Investments in associates	870	659
Investments in joint ventures	6,755	5,569
Total	7,625	6,228

(b) Investment in Subsidiaries

Details of the Group's significant subsidiaries are as follows:

Significant subsidiary	Principal activity
AFL Investments Limited	Investment company
Moana Pacific Fisheries Limited	Non trading company, licensed fish receiver
OPC Quota Limited	Quota owner
Pacific Marine Farms Limited	Investment company
Paua Holdings New Zealand Limited	Holding company
Prepared Foods Processing Limited	Investment company
Pupuri Taonga Limited	Quota owner
Prepared Foods 2009 Limited	Owns the Prepared Foods trading name

All subsidiaries are 100% owned, direct subsidiaries of the Group, and are incorporated in New Zealand and have a 30 September balance date.

pitopito kōrero mō ngā taukī pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

(c) Investment in Associates

On 1 April 2016, the Company entered into an amalgamation with Port Nicholson Fisheries to form the largest Māori owned lobster processing business in New Zealand. The Company's share in the limited partnership is based on each limited partners annual catch entitlement contribution to the partnership. This is currently at 51%. The limited partnership is managed by Koura Inc General Partner Limited. The Company has a 25% share in the general partner, and therefore has significant influence over the limited partnership. The Company's investment in the limited partnership has been accounted for as an associate.

Details of the Group's associates are as follows:

Associate	Ownership interests		Principal activity
	2017	2016	
Port Nicholson Fisheries Limited Partnership	51%	67%	Harvests and markets lobster
Trident Systems Limited Partnership	16%	16%	Inshore fisheries research
Area 2 Inshore Finfish Management Company Limited	0%	2%	Industry group

The associates are incorporated in New Zealand and have a 30 September balance date, with the exception of Port Nicholson Fisheries Limited Partnership which is 31 March. Area 2 Inshore Finfish Management Company Limited was liquidated in September 2017 and the assets distributed to shareholders in the form of a dividend.

The movement in the carrying value of the investment in associates is as follows:

\$000	2017	2016
Balance 1 October	659	1
Share of profit after tax	2,682	658
Share of dividends	(2,471)	-
Balance at 30 September	870	659

(d) Investment in Joint Ventures

Details of the Group's joint ventures are as follows:

Joint venture	Balance date	Ownership interests		Principal activity
		2017	2016	
Auckland Fishing Port Limited	31 March	33%	33%	Holds an Auckland fishing wharf lease
Inshore Fisheries JV Limited Partnership	30 September	50%	50%	Harvests and markets wet fish
Jemco Limited	30 September	40%	40%	Markets aquaculture products
Oceanz Seafood Licensing	30 September	50%	50%	Seafood franchise operator
Prepared Foods Limited	30 September	50%	50%	Markets canned abalone
Prepack Limited	30 June	50%	50%	Assembles ration packs
Precision Seafood Harvesting JV Limited Partnership	30 September	33%	33%	Harvesting, research and development

All the joint ventures are incorporated in New Zealand.

The movement in the carrying value of the investment in joint ventures (excluding Kura Limited) is as follows:

\$000	2017	2016
Balance 1 October	5,569	5,009
Share of profit after tax	1,186	560
Balance at 30 September	6,755	5,569

The summarised financial information in respect of the Group's joint ventures (excluding Kura Limited) is set out below:

pitopito kōrero mō ngā tauĭ pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

\$000	2017	2016
Current assets	15,422	14,692
Non-current assets	343	405
	15,765	15,097
Current liabilities	(3,364)	(4,903)
Non-current liabilities	(10)	(10)
	(3,374)	(4,913)
Net assets	12,391	10,184
Revenue	58,613	33,310
Expenses	(56,276)	(32,808)
Profit for the year and total comprehensive income	2,337	502

6. Related Party Transactions

The immediate parent and ultimate controlling party respectively of the Group is defined under the Māori Fisheries Act 2004 (refer note 2). Details of the interest in Sealord Group Limited is disclosed in note 4. Details of interests in subsidiaries, associates, and joint ventures are disclosed in note 5.

Details of the year-end related party receivables and payables are disclosed in notes 21 and 25 respectively.

(a) Transactions between the Group and Sealord Group Limited

During the year there have been transactions between the Group and Sealord Group Limited (Sealord) as follows:

\$000	2017	2016
Sales to Sealord	1,684	2,151
Other revenue from Sealord	6,024	5,054
Purchases from Sealord	(1,070)	(1,523)
Dividend received from Sealord	4,588	2,023
Loan advance to Sealord	(3,836)	(3,498)

(b) Transactions between the Group and its Associates and Joint Ventures

During the year there have been transactions between the Group and its associates and joint ventures as follows:

\$000	2017	2016
Sales to associates and joint ventures	52,184	46,464
Other revenue from associates and joint ventures	649	667
Purchases from associates and joint ventures	(4,533)	(3,339)

pitopito kōrero mō ngā taukī pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

(c) Transactions with Other Related Parties

During the year, the Company purchased Annual Catch Entitlement (ACE) of \$8.3 million (2016: \$8.3 million) from Te Ohu Kai Moana Trustee Limited and other shareholders.

During the year Pupuri Taonga Trust Limited recovered quota ownership costs of \$6.0 million (2016: \$5.1million) from Sealord Group Limited.

During the year there have been transactions between the Group and companies associated with its Directors as follows:

\$000	2017		2016	
	Purchased Services	Sales	Purchased Services	Sales
Company				
Ngai Tahu Seafood Limited	4,400	-	4,900	-
Seafood New Zealand Limited	300	-	3	-
Design Works Limited	200	-	600	-
Quantiful Limited	20	-	90	-
Bancorp Corporate Finance Limited	-	-	40	-
Point Capital Limited	160	-	-	-
Contact Energy Limited	1,100	-	1,100	-
Ngati Porou Seafoods Group	640	520	1,100	290
	6,820	520	7,833	290

(d) Compensation of Key Management Personnel

The remuneration of the Board of Directors has been disclosed in note 12.

The remuneration of the Chief Executive Officer and his direct reports during the year was as follows:

\$000	2017	2016
Short term benefits	3,323	2,969
Total compensation	3,323	2,969

pitopito kōrero mō ngā tauĭ pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

7. Quota Shares

Quota shares are treated as an asset with an indefinite life, as the shares are issued under the Quota Management System, which is based on individual transferable quota property rights. Quota shares purchased are recorded at cost. Quota shares are not amortised and are carried at cost less any accumulated impairment losses.

Impairment losses are recognised whenever the carrying amount of an asset exceeds its recoverable amount. Quota shares are tested for impairment annually or whenever there is an indication of impairment on an individual basis or at a cash-generating unit level. The indefinite life assessment is reviewed annually to determine whether it continues to be supportable.

Determining whether the carrying value of quota is impaired is based on an estimation of the value-in-use or fair value less costs to sell of the quota. Fair value is determined by taking the average of three independent market valuations on each species. These valuations were based on a comparable sales methodology, factoring in the following Level 2 and 3 inputs; historical and current FishServe data, market intelligence and advice from professional industry valuers. Adjustments were made for current knowledge of market values on certain species.

The three brokers who provided valuations were:

- Aotearoa Quota Brokers Limited;
- Finest Kind Limited; and
- Quota Management Systems Limited.

The carrying amounts were determined to be lower than their recoverable amount for all quota.

\$000	2017	2016
Carrying amount at 1 October	243,027	243,027
Additions	-	-
Disposals	(4,044)	-
Carrying amount at 30 September	238,983	243,027

Option to Buyback Quota

The Group purchased 20 tonne of cray quota in 2009 under an agreement, where the vendor had an option to buyback quota at fair market value. The option was exercised on 31 March 2017. The option purchase price was determined by mutual agreement based on current market value.

Sale of Quota

The Group sold 9 tonne of cray quota in March 2011 under an agreement that gives the Group a right of first refusal to purchase the annual catch entitlement derived from the quota and also requires the Group to purchase from the buyer the annual catch entitlement derived from the quota sold at fair value for a period of 10 years. The price paid for the cray ACE during the year was \$0.153 million (2016: \$0.397 million).

8. Biological Assets

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

The following valuation assumptions have been adopted in determining the fair value of the Group's biological assets:

- Costs are based on current average costs and are variable depending on the biological assets location and age being assessed.
- Revenue is based on current pricing and expected levels of production, with an assessment made about the long term future returns for each product.

Biological assets are valued at market prices less harvesting, and post harvest costs, and are measured using Level 3 valuations (refer note 27 (g)) and there were no transfers between levels during the year.

\$000	2017	2016
Balance at beginning of year	7,382	8,347
Change in values less estimated point-of-sale costs	5,810	2,886
Harvested produce transferred to inventories	(6,081)	(3,851)
Total biological assets	7,111	7,382

pitopito kōrero mō ngā taukī pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The following unobservable inputs were used to measure the Group's biological assets:

\$000	Fair value at 30 September 2017	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Oysters	2017: 4,402	Estimated market price of volumes produced less costs	Annual oyster yield	The higher the yield the higher the fair value
	2016: 5,365		Annual price per dozen per season	The higher the price the higher the fair value
Pāua	2017: 2,709	Estimated market price of volumes produced less costs	Annual pāua yield	The higher the yield the higher the fair value
	2016: 2,017		Annual price per kg per season	The higher the price the higher the fair value

Included in the cost of sales in the Group is a fair value decline of \$0.3 million (2016: \$1.0 million) in relation to biological assets.

9. Goodwill

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The excess of the cost of the business combination, any non controlling interests of the acquiree and the fair value of the acquirers previously held equity interest in the acquiree over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value-in-use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the Income Statement and is not reversed in a subsequent period.

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. A discount factor of 7.00% per annum (2016: 7.00% per annum) was applied in the value-in-use models.

Cash flows were projected based on actual 2017 operating results and the 2018 financial budget approved by the directors. Value-in-use calculations cover a five year period with forecasted cash flows through to 2022 with a terminal value. The 2018 budget EBIT is applied out to 2022 assuming 1% (2016: 1%) growth. The cash flows beyond that five year period have been extrapolated, assuming 1% growth. Any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of cash-generating units.

The key assumptions used in the value in use calculations:

- (i) Sales growth – growth in sales was a conservative factor determined by management who have in-depth experience in the industry;
- (ii) Budget margins – based on historical margins; and
- (iii) Price inflation – forecast consumer price indices were applied to raw material costs and overheads.

The carrying amount of the Fin Fish business unit was determined to be lower than the recoverable amount and no impairment loss was recognised. The Wild Abalone and Prepared Foods business has seen declining profitability in recent years as a result of changing market conditions attributable to international selling prices, and the increase of farmed abalone from other countries. As a result the business is unable to support the carrying amount of the goodwill and this was written off.

\$000	2017	2016
Opening net carrying amount	9,598	10,772
Impairment adjustment	(4,888)	(1,174)
Closing net carrying amount	4,710	9,598

pitopito kōrero mō ngā tauĭ pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The aggregate carrying amount of goodwill relating to each division is as follows:

\$000	2017	2016
Fin Fish	4,710	4,710
Wild Abalone and Prepared Foods	-	4,888
Closing net carrying amount	4,710	9,598

10. Provisions

The Group has two significant provisions. These are employee benefits, and dividend obligation.

\$000	2017	2016
Employee benefits	2,509	2,462
Dividend obligations	9,659	8,237
Total provisions	12,168	10,699

Employee Benefits

Liabilities for annual leave, long service leave, and accumulating sick leave are accrued and recognised in the Statement of Financial Position. The liability for annual leave is measured at the amount expected to be paid when the leave liability is settled.

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

The liability for accumulating sick leave is recognised based on what expectation that the Group has that it will pay sick leave with respect to the unused entitlement that has accumulated at the reporting date. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to contributions.

Dividend Obligation

Under the requirements of the Māori Fisheries Act 2004, the Company must pay at least 40% of profit back to shareholders. This obligation to pay a dividend has been recognised as a provision.

Movements in each class of provision during the financial year are set out below:

\$000	Employee benefits	Dividend	Total
Year ended 30 September 2017			
Carrying amount at start of year	2,462	8,237	10,699
Additional provision recognised	1,432	9,659	11,091
Utilised during the year	(1,385)	(8,237)	(9,622)
Carrying amount at end of year	2,509	9,659	12,168
Year ended 30 September 2016			
Carrying amount at start of year	2,424	6,385	8,809
Additional provision recognised	1,338	8,237	9,575
Utilised during the year	(1,300)	(6,385)	(7,685)
Carrying amount at end of year	2,462	8,237	10,699

pitopito kōrero mō ngā tauĭ pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

11. Redeemable Preference Shares

On 22 December 2004, AFL Investments Limited issued \$20 million redeemable preference shares to Moana New Zealand. Contemporaneously the \$20 million redeemable preference shares were transferred to Te Ohu Kai Moana Trustee Limited as repayment of a \$20 million shareholder loan transferred to Moana New Zealand as part of the assets transferred under the Māori Fisheries Act. The non-interest bearing redeemable preference shares comprise 20 million shares with an issue price of \$1 per share.

The redeemable preference shares agreement allows Te Ohu Kai Moana Trustee Limited to put the redeemable preference shares to Moana New Zealand at any date from 29 November 2011 to 29 November 2019. The redemption price is to be determined through negotiation between the parties, but cannot exceed \$1 per share.

At the Te Ohu Kai Moana Trustee Limited Hui-a-tau held on 31 March 2016, Iwi resolved that the redeemable preference shares should be cancelled by converting them into ordinary shares. These shares will be transferred to Iwi at the same time as Te Ohu Kai Moana Trustee Limited's voting and Income shares in Moana New Zealand, as part of the share capital changes to be made under the revisions to the Māori Fisheries Act.

12. Expenses

The following items are included in cost of sales, distribution expenses, and administrative expenses:

\$000	Note	2017	2016
Amortisation of intangibles	24	427	508
Fees paid to auditors for:			
Audit fees		140	140
Other services		13	10
Bad debts		90	84
Defined contribution expense (Kiwisaver)		496	490
Depreciation	23	3,721	3,139
Directors' fees		445	450
Donations		6	3
Doubtful debts	21	67	70
Employee benefits expense		26,615	26,815
Net loss on disposal of assets		908	52
Rental and operating lease costs	16	941	1,258
Research and development		711	611

Following a regular review of reporting practices and policies, some administrative expenses have been reclassified to cost of sales to better align the presentation with the actual operations of the Group. This has had the effect of reducing 2016 administration expenses and increasing 2016 cost of sales.

Interest expense is accrued on a time basis using the effective interest method.

All other borrowing costs are recognised in the Income Statement, in the period in which they are incurred.

\$000	2017	2016
Finance expenses – bank loans and overdrafts	3,703	4,112

pitopito kōrero mō ngā tauĭ pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

13. Other Income

Transactions in foreign currencies are recorded using the exchange rates prevailing at the dates of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing at the date when the valuation was determined (spot rate at the transaction date or a rate approximating that rate). Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Any foreign exchange gains and losses arising from these transactions are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges as outlined in note 27.

\$000	2017	2016
Net foreign currency exchange gain/(loss)	592	367
Net foreign currency exchange gain/(loss) on hedged sales	46	79
Net gain on disposal of assets	5,262	-
	5,900	446

14. Revenue

(i) Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- » The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- » The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control;
- » The amount of revenue can be measured reliably;
- » It is probable that the economic benefits will flow to the entity; and
- » The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is shown net of any goods and services tax, rebates and discounts, measured at fair value of the consideration received or receivable.

(ii) Rental income from operating leases is recognised on a straight line basis over the lease term.

(iii) Dividend income is recognised when received.

(iv) Interest received is accrued on a time basis using the effective interest method.

\$000	Note	2017	2016
Dividends received		5	1
Interest received		114	242
Other income		452	504
Rental income		640	309
Revenue from related parties	6	6,673	5,721
		7,884	6,777

pitopito kōrero mō ngā tauĭ pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

15. Cash Flow Statement Reconciliation

\$000	2017	2016
Reported profit for the year	19,260	19,419
Add/(deduct) non-cash items and non-operating items:		
Depreciation, amortisation and impairment	9,036	3,476
Fair value revaluation of biological assets	271	965
Share of profit/(loss) of associates and joint ventures	(13,136)	(12,688)
Loss on sale of property, plant and equipment	908	52
Unwinding of prepayments	1,215	2,823
Unrealised foreign currency (gain)/loss	(20)	(54)
Bad debts	80	74
Other	(22)	51
Change in fair value of derivatives	(307)	(349)
Decrease in deferred tax	424	759
Movement in working capital		
Decrease/(increase) in receivables and prepayments	5,488	916
Decrease/(increase) in inventory and biological assets	1,006	2,970
Increase/(decrease) in payables and accruals	3,073	(2,406)
Increase/(decrease) in employee entitlements	47	38
Increase/(decrease) in other assets/liabilities	(4,510)	(955)
Add/(deduct) items classified as investing activities	(3,450)	-
Net cash flows from operating activities	19,363	15,091

16. Operating Lease Arrangements

Operating leases relate to offices, warehouse and processing facilities, retail shops and vehicles. Payments made under operating leases (net of any incentives received from the lessor) are expensed on a straight-line basis over the lease term.

(a) Payments Recognised as an Expense

\$000	2017	2016
Minimum lease payments	941	1,258
Sub-lease payments received	(620)	(289)
	321	969

(b) Non-cancellable Operating Lease Commitments

\$000	2017	2016
Lease commitments under non-cancellable operating leases:		
Less than one year	1,143	1,074
Between one and two years	1,067	929
Between two and five years	1,808	2,218
Greater than five years	3,220	3,104
Total operating lease commitments	7,238	7,325

pitopito kōrero mō ngā taukī pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

17. Current Tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the current period's taxable income and any adjustments in respect of previous years.

Income tax is recognised in the income statement, apart from when it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

\$000	2017	2016
Current tax expense	402	1,474
Deferred tax expense	461	459
Total income tax expense/(benefit)	863	1,933

The tax on the profit differs from the theoretical amount that would arise using the applicable New Zealand Corporation tax rate or Māori authority tax rates as follows:

\$000	2017	2016
Profit/(loss) before tax	20,123	21,352
Income tax at applicable rate	4,270	4,921
Expenses not deductible/taxable income not included in accounting profit	(1,380)	(2,433)
Other	(242)	232
Imputation credits	(1,785)	(787)
Total income tax expense/(benefit)	863	1,933

The company is a Māori authority and is taxed at the Māori authority tax rate. Other entities in the Group are taxed at the corporate tax rates.

pitopito kōrero mō ngā tauĭ pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

18. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised.

The movement in deferred tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax asset \$000	Tax depreciation	Derivative financial instruments	Tax losses recognised	Provisions and other	Total
At 1 October 2016	31	312	1,392	(492)	1,243
Movement					
– Income Statement	(31)	(52)	(371)	(7)	(461)
– Equity	-	37	-	-	37
At 30 September 2017	-	297	1,021	(499)	819
At 1 October 2015	17	620	1,980	(615)	2,022
Movement					
– Income Statement	14	(8)	(588)	123	(459)
– Equity	-	(300)	-	-	(300)
At 30 September 2016	31	312	1,392	(492)	1,243

The following are the income tax effects relating to Comprehensive Income:

Group \$000	Before tax amount 2017	Tax (expense) / benefit 2017	Net of tax amount 2017	Before tax amount 2016	Tax (expense) / benefit 2016	Net of tax amount 2016
Cash flow hedges	(212)	37	(175)	1,716	(300)	1,416
Associates' derivative financial instruments	5,528	-	5,528	379	-	379
	5,316	37	5,353	2,095	(300)	1,795

19. Imputation Credit Account

\$000	2017	2016
Balance at beginning of year	2,803	5,805
Imputation credits attached to dividends received	1,785	787
Imputation credits attached to dividends paid and accrued	(2,049)	(1,747)
Imputation credits attached to tax paid	1,138	(2,042)
Imputation credits accrued on tax receivable	(326)	-
Balance at end of year	1,752	2,803

pitopito kōrero mō ngā tauĭ pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

20. Cash and Bank Balances

Cash and bank balances in the Statement of Financial Position comprise cash at bank and short-term deposits with an original maturity of three months or less.

\$000	2017	2016
Cash at bank and in hand	1,513	1,255
Bank overdraft	-	(1,370)
Total cash and bank balances	1,513	(115)

21. Trade and Other Receivables

Receivables are initially recorded at fair value. Receivables are reviewed periodically for impairment and a provision for impairment of receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Bad debts are written off in the period in which they are identified.

\$000	2017	2016
Trade receivables	8,980	10,602
Allowance for doubtful debts	(90)	(100)
Other receivables and prepayments	3,998	4,350
Receivables – joint ventures	841	4,365
Total receivables and prepayments	13,729	19,217

Bad and Doubtful Trade Receivables

The average credit period on sales of goods is 23 days (2016: 23 days). No interest is charged on trade receivables. The Group maintains a provision for estimated losses expected to arise from customers being unable to make required payments. In assessing the provision, factors such as past collection history, the age of receivable balances, the level of activity in customer accounts, as well as general macro-economic trends, are taken into account. These were determined by consideration of the amounts and past payment history and default experience of each customer.

Before accepting a new customer the Group performs credit checks, including, but not limited to verifying credit references, performing company checks and investigating any previous defaults, to assess the creditworthiness of the new customer. In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The Group has recognised a loss of \$0.157 million (2016: \$0.154 million) in respect of bad and doubtful trade receivables during the year ended 30 September 2017. The Group does not hold any collateral in respect of the balances above.

\$000	2017	2016
Balance at 1 October	100	110
Impairment losses recognised on receivables (note 27(e))	67	70
Amounts written off as uncollectible	(77)	(80)
Amounts recovered during the year	-	-
Balance at 30 September	90	100

pitopito kōrero mō ngā tauĭ pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

22. Inventories

Inventory is stated at the lower of cost or net realisable value.

Cost is determined on a weighted average basis and includes the expenditure incurred in bringing inventory to its existing condition and location. Costs include an appropriate share of fixed overheads, which are allocated on the basis of normal production capacity. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

\$000	2017	2016
Raw materials at cost	623	684
Finished goods at cost	4,822	5,076
Finished goods at net realisable value	467	641
Packaging materials and fish bins	966	1,212
Total inventories	6,878	7,613

The cost of inventories recognised in the Group as an expense during the year was \$63.3 million (2016: \$81.3 million), and includes \$0.086 million (2016: (\$0.051) million) in respect of uplift of inventory to net realisable value.

23. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Any gains and losses on the disposal of property, plant and equipment are recognised in the Income Statement. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset. Impairment is tested when there are indicators of impairment.

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment), and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made on a prospective basis when considered necessary.

All assets are depreciated on a straight line basis with the exception of motor vehicles, which are depreciated on the diminishing value basis.

	Years
Buildings	10-50
Leasehold improvements	3-30
Furniture, fittings, and office equipment	2-10
Marine farm structures	14
Motor vehicles	3-8
Plant and machinery	2-20
Vessels	2-14

pitopito kōrero mō ngā taukī pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

\$000	Land	Buildings	Leasehold improvements	Furniture, fittings and office equipment	Marine farm structures	Motor vehicles	Plant and machinery	Vessels	Capital work in progress	Total
Year ended 30 September 2017										
Opening net carrying amount	8,461	25,486	32	2,269	1,149	1,489	10,654	141	3,466	53,147
Additions	-	619	14	116	114	91	5,632	24	679	7,289
Disposals	-	(906)	-	(3)	-	(67)	-	-	-	(976)
Depreciation charge for the year	-	(1,131)	(7)	(392)	(124)	(303)	(1,745)	(19)	-	(3,721)
Impairment reversal/ (losses) charged to Income Statement	-	-	-	-	-	-	-	-	-	-
Closing net carrying amount	8,461	24,068	39	1,990	1,139	1,210	14,541	146	4,145	55,739
Balance at 30 September 2017										
Cost	8,461	26,609	430	3,732	4,575	1,850	25,771	700	4,145	76,273
Accumulated depreciation	-	(2,541)	(391)	(1,742)	(3,436)	(640)	(11,230)	(554)	-	(20,534)
Net carrying amount	8,461	24,068	39	1,990	1,139	1,210	14,541	146	4,145	55,739

\$000	Land	Buildings	Leasehold improvements	Furniture, fittings and office equipment	Marine farm structures	Motor vehicles	Plant and machinery	Vessels	Capital work in progress	Total
Year ended 30 September 2016										
Opening net carrying amount	8,461	19,866	39	2,193	1,158	1,339	10,202	162	3,003	46,423
Additions	-	6,376	-	485	121	624	1,949	-	463	10,018
Disposals	-	(86)	(11)	(16)	-	(172)	(41)	-	-	(326)
Depreciation charge for the year	-	(770)	(11)	(407)	(130)	(305)	(1,495)	(21)	-	(3,139)
Impairment reversal/ (losses) charged to Income Statement	-	100	15	14	-	3	39	-	-	171
Closing net carrying amount	8,461	25,486	32	2,269	1,149	1,489	10,654	141	3,466	53,147
Balance at 30 September 2016										
Cost	8,461	28,850	416	4,508	4,462	4,182	24,986	676	3,466	80,007
Accumulated depreciation	-	(3,364)	(384)	(2,239)	(3,313)	(2,693)	(14,332)	(535)	-	(26,860)
Net carrying amount	8,461	25,486	32	2,269	1,149	1,489	10,654	141	3,466	53,147

pitopito kōrero mō ngā tauĭ pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

24. Intangibles

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful lives, residual values and amortisation method are reviewed at the end of each reporting period, with the effect of any changes being accounted for on a prospective basis.

Marine farm licences are treated as an asset with an indefinite life as it is highly probable that the licences will be renewed and the costs of renewal are minimal. Marine farm licenses purchased are recorded at cost less any accumulated impairment losses. The carrying value of marine farm licences are reviewed annually for impairment, or whenever there is an indication of impairment, by reference to current market valuation for the licences. The valuation is based on a discounted cashflow methodology using Level 3 valuation inputs.

Key assumptions used in the valuation of the marine licences:

- (i) Estimates were based on historic trends and known metrics from valuing similar enterprises;
- (ii) Adjustments made for reductions in productivity, yield and extra costs of production; and
- (iii) Revenue streams were updated to current prices.

\$000	2017			2016		
	Marine farm licences	Software	Total	Marine farm licences	Software	Total
Opening net carrying amount	5,160	478	5,638	5,160	530	5,690
Additions	-	645	645	-	456	456
Disposals	-	-	-	-	-	-
Amortisation charge for the year	-	(427)	(427)	-	(508)	(508)
Closing net carrying amount	5,160	696	5,856	5,160	478	5,638
Cost	5,160	4,041	9,201	5,160	3,396	8,556
Accumulated amortisation	-	(3,345)	(3,345)	-	(2,918)	(2,918)
Net carrying amount	5,160	696	5,856	5,160	478	5,638

The amortisation charge for the year of \$0.427 million, (2016: \$0.508 million) is an administration expense in the Income Statement.

25. Trade and Other Payables

Trade and other payables are initially recognised at fair value and then subsequently measured at amortised cost.

\$000	2017	2016
Trade payables	5,801	4,173
Sundry payables and accruals	5,857	5,052
Payables to related parties – joint ventures	743	103
Total payables	12,401	9,328

pitopito kōrero mō ngā taukī pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

26. Borrowings

The Group has its banking facilities with Westpac New Zealand Limited, and its borrowing facility includes two tranche's, Tranche A, and Tranche B.

The Tranche A loan is the main funding facility for Moana New Zealand and is subject to a floating interest rate. Tranche A matures on 30 November 2018. To hedge future interest rate risk, the Group has entered into a series of interest rate swap arrangements (refer note 27(c)). These hedging arrangements transform the future variable debt interest cash flows, attributable to changes in the bank-to-bank rate, back to a known fixed debt interest cash flow based on the relevant swap rate existing at the inception of the hedge relationship. During the year, the weighted average interest rate was 4.36%, (2016: 4.79%).

The Tranche B loan is for the specific purpose of lending to Sealord Group Limited, to enable Sealord Group Limited to pay the deposit on a new deep sea vessel under construction, (refer to note 4). This loan of \$3.5 million is denominated in Euros, repayable in August 2020. Sealord Group Limited reimburse the Company for the borrowing cost of loan, and Sealord Group Limited takes all the foreign currency exposure risk.

During the year the Group made a additional loan to Sealord Group Limited of \$3.5 million. This loan is also denominated in Euros. Sealord Group Limited reimburse the Company for the borrowing cost of the loan and Sealord Group Limited takes all the foreign currency exposure risk.

Interest is paid on Tranche A, and the cash flow hedge swap arrangements quarterly in arrears. Interest is paid on Tranche B six-monthly in arrears.

The bank loans are secured by a general security agreement over the assets of the Group and a mortgage over the quota shares. In addition there is a negative pledge, which with limited exceptions does not permit the Group to grant any security interest over its assets. The negative pledge deed requires the Group to maintain certain levels of shareholders' funds and operate within defined performance ratios. The banking arrangements also create restrictions over the sale or disposal of assets.

Throughout the year, the Company has complied with all covenant requirements.

\$000	2017	2016
Bank loan – Tranche A – Moana New Zealand operations (secured)	55,614	70,000
Bank loan – Tranche B – Sealord Group Limited vessel loan (secured)	3,720	3,498
Total bank loan	59,334	73,498

2017 repayable as follows:	Less than one year	Between 1-2 years	Between 2-5 years	Greater than 5 years
Bank loans (secured)	-	55,614	3,720	-
2016 repayable as follows:				
Bank loans (secured)	-	70,000	3,498	-

pitopito kōrero mō ngā tauĭ pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

27. Risk Management

The Group manages its exposure to key financial risks in accordance with the Group's treasury risk management policy, which is approved by the Board. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Derivative Financial Instruments

The Group uses derivative financial instruments such as forward exchange contracts, currency options and interest rate swaps to hedge its risk associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured at their fair value at each reporting date. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group's policy is to apply cash flow and fair value hedging in accordance with NZ IAS 39. The Group designates certain hedging instruments, which may include derivatives, embedded derivatives and non-derivatives in respect of foreign currency exchange risk, as either fair value hedges or cash flow hedges. Hedges of foreign currency exchange risk on firm commitments are accounted for as cash flow hedges.

Cash Flow Hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flow that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of any gain or loss on a hedging instrument is recognised in other comprehensive income and accumulated as a separate component of equity in the cash flow hedging reserve, while the ineffective portion is recognised in the profit or loss in the Income Statement.

Amounts taken to equity through the cash flow hedging reserve are transferred to the profit or loss in the Income Statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

If a forecast transaction is no longer expected to occur, amounts previously recognised in the derivative financial instruments reserve are transferred to profit or loss in the Income Statement. If a hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity in the cash flow hedging reserve remain in equity until the forecast transaction occurs.

Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of profit or loss relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of derivative instruments is calculated using quoted market prices where available. Forward foreign exchange contracts are measured using observable market forward exchange rates and yield curves derived from observable market interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from observable market interest rates.

pitopito kōrero mō ngā tauĭ pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Quantitative Disclosures

(a) Instruments Used By The Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in foreign exchange and interest rates.

At balance date the carrying value of foreign currency forward exchange contracts, currency options and interest rate swaps were:

\$000	2017	2016
Current assets		
Forward currency contracts – cash flow hedges	394	1,016
Assets	394	1,016
Current liabilities		
Forward currency contracts – cash flow hedges	(324)	(148)
Interest rate swap contracts – cash flow hedges	(272)	(588)
	(596)	(736)
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	(1,445)	(2,059)
	(1,445)	(2,059)
Liabilities	(2,041)	(2,795)
Net total	(1,647)	(1,779)

(b) Foreign Currency Exchange Risk Management

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising in the normal course of business. The Group uses foreign currency forward exchange contracts and options to manage these exposures. The foreign currencies in which the Group primarily transacts are Australian dollars, United States dollars, British pounds, Euro and Japanese yen.

Where exposures are reasonably certain it is the Group's policy to hedge these risks as they arise. For those exposures that are less certain in their timing and extent, such as future sales and purchases, it is the Group's policy to cover a proportion of the anticipated exposures for a maximum period of 12 months forward.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not in New Zealand dollars. Approximately 59% (2016: 69%) of the Group's sales are denominated in currencies other than the New Zealand dollar, whilst almost 100% of costs are denominated in New Zealand dollars.

pitopito kōrero mō ngā tauĪ pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Foreign Exchange Sensitivity Analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the New Zealand dollar against the relevant foreign currency:

30 September 2017 \$000	Carrying amount	-10% profit	Foreign exchange risk		Equity
			Equity	+10% profit	
Cash and cash equivalents	1,244	138	-	(113)	-
Derivatives – cash flow hedges	73	-	(3,369)	-	2,757
Trade debtors	5,070	564	-	(460)	-
Trade creditors	(53)	-	-	-	-
Total increase / (decrease)		702	(3,369)	(573)	2,757

30 September 2016 \$000	Carrying amount	-10% profit	Foreign exchange risk		Equity
			Equity	+10% profit	
Cash and cash equivalents	1,183	131	-	(108)	-
Derivatives – cash flow hedges	860	-	(2,524)	-	2,063
Trade debtors	5,050	561	-	(459)	-
Trade creditors	(3)	-	-	-	-
Total increase / (decrease)		692	(2,524)	(567)	2,063

Forward Foreign Currency Exchange Contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 30 September 2017 were \$37.3 million (2016: \$30.2 million). The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months.

Forward currency contracts – cash flow hedges and fair value hedges \$000	NZD notional amounts		Average contract rates	
	2017	2016	2017	2016
Maturity 0-12 months				
Sell Australian dollars / Buy New Zealand dollars	22,108	16,772	0.9309	0.9263
Sell Euros / Buy New Zealand dollars	-	71	-	0.6300
Sell JPY / Buy New Zealand dollars	936	1,796	75.5445	73.0463
Sell US dollars / Buy New Zealand dollars	14,075	11,360	0.7048	0.6994
Buy GBP / Sell New Zealand dollars	163	-	0.5600	-
	37,282	29,999		

Cash flow hedges movement

\$000	2017	2016
Opening balance	969	(460)
Charged to equity	(891)	1,383
Transfer to profit or loss	(191)	349
Income tax expense	134	(303)
Closing balance	21	969

pitopito kōrero mō ngā taukī pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

(c) Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations.

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt or derivatives. The Group's treasury policy is to have a level of fixed rate exposure as a percentage of total debt.

To manage its cash flow volatility arising from interest rate changes, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

As at 30 September 2017, after taking into account the effect of interest rate swaps, 87% of the Group's interest rate exposures are fixed rate (2016: 93%).

Interest rate swap contracts with a nominal principal amount of \$35 million (2016: \$65 million), are exposed to fair value movements if interest rates change.

Interest Rate Sensitivity Analysis

At 30 September 2017, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

\$000	Profit for the year Higher / (lower)		Equity Higher / (lower)	
	2017	2016	2017	2016
+ 100 basis points	-	-	(1,214)	(847)
- 100 basis points	-	-	1,257	885

Interest Rate Swap Contracts

Interest rate swap maturities

\$000	2017	2016
0-1 years	10,000	55,000
1-2 years	25,000	10,000
2-3 years	10,000	25,000
3-5 years	30,000	10,000
	75,000	100,000

Interest rate hedges movement

\$000	2017	2016
Opening balance	(2,190)	(2,177)
Charged to equity	(322)	(1,060)
Transfer to profit or loss	1,192	1,044
Income tax expense	(97)	3
Closing balance	(1,417)	(2,190)

Interest rates used are as follows:

	2017	2016
Interest rate swaps (excludes margin)	2.99% - 4.79%	3.09% - 4.91%
Loans	0.66% - 2.91%	2.91% - 3.67%
Bank overdraft	2.61%	2.86% - 3.70%
Cash	1.75%	2.00%

pitopito kōrero mō ngā tauĭ pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

(d) Liquidity Risk

The liquidity risk management objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and committed available credit lines.

Management monitors rolling forecasts of the Group's liquidity against its undrawn borrowing facility. The table below reflects all contractually fixed payables for settlement, repayments and interest resulting from financial liabilities, including the net payments due pursuant to derivative financial instruments at 30 September 2017. For derivative financial instruments the net market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 September 2017.

At balance date, the Group has available approximately \$40.67 million (2016: \$29.13 million) of unused credit facilities available for its immediate use. These credit facilities expire on 30 November 2018.

2017 \$000	Financial position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Trade and other payables	12,401	12,401	12,401	-	-	-
Provisions	12,168	12,168	10,831	1,337	-	-
Borrowings	59,334	60,245	228	228	59,789	-
Redeemable preference shares	20,000	20,000	20,000	-	-	-
Guarantees	-	18,800	18,800	-	-	-
Total non-derivative liabilities	103,903	123,614	62,260	1,565	59,789	-
Foreign exchange contracts	21	37,351	27,207	10,144	-	-
Interest rate swaps	(1,417)	(1,717)	-	(272)	(1,108)	(337)

2016 \$000	Financial position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Trade and other payables	9,328	9,328	9,328	-	-	-
Provisions	10,699	10,699	9,468	1,231	-	-
Borrowings	73,498	74,462	261	241	70,484	3,496
Redeemable preference shares	20,000	20,000	20,000	-	-	-
Guarantees	-	21,587	21,587	-	-	-
Total non-derivative liabilities	113,525	136,076	60,644	1,472	70,484	3,496
Foreign exchange contracts	969	30,000	21,426	8,574	-	-
Interest rate swaps	(2,190)	(2,646)	(307)	(280)	(1,032)	(1,027)

pitopito kōrero mō ngā taukī pūtea

— notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

(e) Credit Risk

Credit risk arises from financial assets of the Group, which comprise bank balances, trade receivables, foreign currency forward exchange contracts and options. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure to credit risk is monitored on an ongoing basis.

Only major NZ registered banks are counter parties to the Group's financial instruments, and the Group does not anticipate non-performance by such counter parties.

At balance date there were no significant concentrations of credit risk other than with related parties with the result that the Group's exposure to bad debts is not significant.

The status of trade receivables at the reporting date is as follows:

\$000	Gross receivables		Impairment	
	2017	2016	2017	2016
Not past due	8,141	8,068	-	-
Past due 0 - 30 days	411	1,522	-	-
Past due 31 -120 days	160	439	74	3
Past due more than 120 days	268	573	16	97
Total	8,980	10,602	90	100

(f) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through optimisation of the use of debt and equity. The Group's overall capital management strategy remained unchanged from the prior year.

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 26, cash and bank balances and equity attributable to equity holders of Moana New Zealand, comprising issued capital, reserves and retained earnings as disclosed in notes 2 and 20 respectively. The borrowings disclosed in note 26 are subject to covenants based on the Group's capital. Throughout the year, the Company has complied with all covenant requirements.

The Group's tangible assets are subject to a general security agreement held by the Group's bank.

The gearing ratio at 30 September was as follows:

\$000	Note	2017	2016
Borrowings	26	59,334	73,498
Less cash and bank balances	20	1,513	(115)
Net debt		57,821	73,613
Total shareholders' equity		436,495	421,541
Net debt to equity ratio		13%	17%

(g) Classification and Fair Values

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest rate swaps and foreign exchange contracts are measured at fair value subsequent to initial recognition, and are measured using Level 2 valuations. Biological assets are measured at fair value and are measured using Level 3 valuations (refer note 8). Borrowings and redeemable preference shares for disclosure purposes are measured using Level 2 valuation inputs.

pitopito kōrero mō ngā tauĭ pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2017 \$000	Derivative designated as hedging instrument	Cash and cash equivalents	Loans and receivables	Liabilities at amortised cost	Carrying amount	Fair value
Current assets						
Foreign exchange contracts	394	-	-	-	394	394
Bank balances	-	1,513	-	-	1,513	1,513
Trade debtors	-	-	8,890	-	8,890	8,890
Other receivables	-	-	1,262	-	1,262	1,262
	394	1,513	10,152	-	12,059	12,059
Non current assets						
Other assets	-	-	7,251	-	7,251	7,251
	-	-	7,251	-	7,251	7,251
Total assets	394	1,513	17,403	-	19,310	19,310
Current liabilities						
Foreign exchange contracts	324	-	-	-	324	324
Interest rate swaps	272	-	-	-	272	272
Trade creditors and other payables	-	-	-	12,401	12,401	12,401
Provisions	-	-	-	12,168	12,168	12,168
Redeemable preference shares	-	-	-	20,000	20,000	20,000
	596	-	-	44,569	45,165	45,165
Non current liabilities						
Interest rate swaps	1,445	-	-	-	1,445	1,445
Borrowings	-	-	-	59,334	59,334	59,334
	1,445	-	-	59,334	60,779	60,779
Total liabilities	2,041	-	-	103,903	105,944	105,944

pitopito kōrero mō ngā taukī pūtea — notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2016 \$000	Derivative designated as hedging instrument	Cash and cash equivalents	Loans and receivables	Liabilities at amortised cost	Carrying amount	Fair value
Current assets						
Foreign exchange contracts	1,016	-	-	-	1,016	1,016
Bank balances	-	1,255	-	-	1,255	1,255
Trade debtors	-	-	10,502	-	10,502	10,502
Other receivables	-	-	4,941	-	4,941	4,941
	1,016	1,255	15,443	-	17,714	17,714
Non current assets						
Other assets	-	-	3,669	-	3,669	3,669
	-	-	3,669	-	3,669	3,669
Total assets	1,016	1,255	19,112	-	21,383	21,383
Current liabilities						
Foreign exchange contracts	148	-	-	-	148	148
Interest rate swaps	588	-	-	-	588	588
Bank balances	-	1,370	-	-	1,370	1,370
Trade creditors and other payables	-	-	-	9,328	9,328	9,328
Provisions	-	-	-	10,699	10,699	10,699
Redeemable preference shares	-	-	-	20,000	20,000	20,000
	736	1,370	-	40,027	42,133	42,133
Non current liabilities						
Interest rate swaps	2,059	-	-	-	2,059	2,059
Borrowings	-	-	-	73,498	73,498	73,498
	2,059	-	-	73,498	75,557	75,557
Total liabilities	2,795	1,370	-	113,525	117,690	117,690

28. Commitments

No commitments this year (2016:Nil).

29. Contingent Liabilities and Contingent Assets

Kura Limited, a joint venture of Moana New Zealand, has given bank guarantees with the Group's share being \$5.0 million (2016: \$6.4 million).

All partners of the Precision Seafood Harvesting joint venture have issued a joint guarantee of \$10 million (2016: \$10 million).

Moana New Zealand has given a bank guarantee of \$3.8 million (2016: \$5.2 million) to Santy Maria Fishing Ltd for the purchase of a new fishing vessel.

Independent Auditor's Report

PŪRONGO A TE KAITĀTARI KAUTE RĀWAHO



TO THE SHAREHOLDERS OF AOTEAROA FISHERIES LIMITED (TRADING AS MOANA NEW ZEALAND)

Opinion

We have audited the consolidated financial statements of Aotearoa Fisheries Limited and its subsidiaries, trading as Moana New Zealand (the 'Group'), which comprise the consolidated statement of financial position as at 30 September 2017, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages XX to XX, present fairly, in all material respects, the consolidated financial position of the Group as at 30 September 2017, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

Other than in our capacity as auditor, we have no relationship with or interests in the Company or any of its subsidiaries, except that partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be \$2.0 million.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

pūrongo a te kaitātari kaute rāwaho

— independent auditor's report

Key audit matter

Impairment of Goodwill

The Group has \$4.7 million (2016: \$9.6 million) of goodwill on its consolidated statement of financial position. As required under NZ IAS 36 Impairment of Assets, the Group conducts an annual impairment test to assess the recoverability of the carrying amount of goodwill. This is performed using discounted cash flow models to estimate the value-in-use of each cash-generating unit, as set out in note 9.

The goodwill of \$4.9 million relating to the Wild Abalone and Prepared Foods cash generating unit was impaired in the current year. No impairment was recognised for the Finfish cash generating unit.

This is a key audit matter because the discounted cash flow models are based on significant assumptions relating to the sales growth rates, budgeted margins, discount rates and terminal growth rates applied in the discounted cash flow models.

How our audit addressed the key audit matter

We evaluated the processes and controls in place over the impairment test for each cash generating unit. We checked the mechanical accuracy of the discounted cash flow models.

We challenged the assumptions used in the impairment tests by comparing the projected sales growth rates and budgeted margins against historical trends achieved in the business. We analysed historical budgeting accuracy, by comparing the forecast for the current year used in the prior year discounted cash flow models to actual current year results, to assess the reliability of the forecasts used in the discounted cash flow models.

We challenged the discount rates and terminal growth rates applied to forecasted cash flows by reference to market data. This involved comparing the rates against other comparable companies operating in similar regions. We performed sensitivity analyses to assess the impact that a change in the discount rates or terminal growth rates have on the impairment test.

We tested whether there was sufficient headroom in the impairment test for the Finfish cash generating unit.

We assessed the associated disclosures required under NZ IAS 36 provided by the Group in relation to its goodwill impairment test.

Impairment of Quota Shares

The Group has \$239.0 million (2016: \$243.0 million) of quota shares on its consolidated statement of financial position. Quota shares are treated as an asset with an indefinite useful life, and are carried at cost less any accumulated impairment losses, as set out in note 7.

As required under NZ IAS 36 Impairment of Assets, quota shares are tested for impairment on an annual basis by comparing the carrying amount to the recoverable amount. The recoverable amount is the higher of the value-in-use of the relevant cash generating unit, or the fair value less costs to sell of the quota shares.

The Group engaged three independent brokers to determine the fair value of quota shares. The fair value used in the impairment test was determined by taking the average of the three independent market valuations on each species.

The value-in-use of the quota shares is assessed under the discounted cash flow models for the relevant cash generating unit outlined in the impairment of goodwill key audit matter above.

No impairment of quota shares was recognised in the current year.

This is a key audit matter because quota shares make up a significant portion of the asset base of the Group, and due to the significant assumptions required to determine the recoverable amount of the quota shares.

We confirmed quota shares quantities to the Ministry of Fisheries records as this source data is a key input in the market valuations obtained from the independent brokers. We reviewed any quota share transactions including sales and acquisitions of quota shares, and sales of Annual Catch Entitlement.

We confirmed directly with the brokers that carried out the market valuations that those brokers are independent of the Group.

We checked the mechanical accuracy of the calculation of the average of the three independent market valuations for each species, and ensured the inputs used in the calculation agreed to the valuation for each species obtained from each independent broker.

We challenged the market prices used by the independent valuers in their valuations by comparing a sample of fishstocks against recent quota transaction prices in the market.

Our procedures on the discounted cash flow models have been outlined in the impairment of goodwill key audit matter above.

We tested whether there was sufficient headroom in the impairment test for quota shares.

We assessed the associated disclosures required under NZ IAS 36 provided by the Group in relation to its quota shares impairment test.

pūrongo a te kaitātari kaute rāwaho — independent auditor's report

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-3>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 207B 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's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Chartered Accountants
Auckland, New Zealand
22 November 2017

