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Kura Limited

Directors Report

For the year ended 30 June 2010

The Board of Directors present their report including the financial statements of the Company and its subsidiaries for the year ended 30 June 2010 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
29 October 2010

Director
29 October 2010

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ERNST & YOUNG

Chartered Accountants

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 36, which comprise the balance sheet of Kura Limited and the group as at 30 June 2010, and 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.

Ernst & Young provides tax compliance and consulting services to the company and group. We have no other relationship, or interest in the Group.

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

Opinion

In our opinion, the financial statements on pages 3 to 36:

- 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 June 2010 and the financial performance of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations 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.

Ernst + Young

29 October 2010
Wellington

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2010

in New Zealand Dollars

	Note	2010 $000	Restated 2009 $000
Revenue		530,887	584,860
Cost of sales		(440,420)	(493,214)
Gross profit		**90,467**	**91,646**
Other operating income	1	5,637	20,298
Distribution expenses		(25,668)	(29,051)
Administrative expenses		(33,055)	(29,839)
Other operating expenses	2	(13,031)	(20,080)
Operating profit before financing costs		**24,350**	**32,974**
Financial income		-	394
Financial expenses		(9,667)	(11,357)
Net financing costs	4	**(9,667)**	**(10,963)**
Share of profit / (loss) from associates	7	7,473	(3,072)
Profit before tax		**22,156**	**18,939**
Income tax expense	5	(3,757)	(2,328)
Profit for the year		**18,399**	**16,611**
Other comprehensive income			
Gains / (losses) from:			
Cash flow hedges		7,908	7,426
Hedge of a net investment in a foreign operation		891	2,847
Translation of foreign operations		(11,390)	(2,385)
Income tax relating to components of other comprehensive income		(2,114)	(2,228)
Other comprehensive income / (loss) for the year, net of tax		**(4,705)**	**5,660**
Total comprehensive income for the year, net of tax		**13,694**	**22,271**
Profit for the year is attributable to:			
Non controlling interest		-	(211)
Members of the Parent		18,399	16,822
Total comprehensive income is attributable to:			
Non controlling interest		-	(211)
Members of the Parent		13,694	22,482

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2010

in New Zealand Dollars

	Note	Share capital	Hedging reserve	Translation reserve	Retained earnings	Parent equity	Non controlling interest	Total equity
		$000	$000	$000	$000	$000	$000	$000
Restated balance at 1 July 2009	16,29	397,000	3,526	(4,650)	57,811	453,687	7,442	461,129
Total comprehensive income for the year, net of tax		-	5,794	(10,499)	18,399	13,694	-	13,694
Acquisition of non controlling interest	27	-	-	-	(5,973)	(5,973)	(7,442)	(13,415)
Dividends to shareholders	16	-	-	-	-	-	-	-
Balance at 30 June 2010		397,000	9,320	(15,149)	70,237	461,408	-	461,408
Balance at 1 July 2008	16	397,000	(1,672)	(5,112)	55,229	445,445	-	445,445
Adjustment for correction of error	29	-	-	-	(1,160)	(1,160)	-	(1,160)
Adjustment for change in accounting policy	29	-	-	-	2,920	2,920	-	2,920
Restated balance at 1 July 2008		397,000	(1,672)	(5,112)	56,989	447,205	-	447,205
Restated total comprehensive income for the year, net of tax		-	5,198	462	16,822	22,482	(211)	22,271
Reclassification of non controlling interest from associates		-	-	-	-	-	7,653	7,653
Dividends to shareholders	16	-	-	-	(16,000)	(16,000)	-	(16,000)
Restated balance at 30 June 2009		397,000	3,526	(4,650)	57,811	453,687	7,442	461,129

The accompanying notes form part of these financial statements.

Consolidated balance sheet

AS AT 30 JUNE 2010

in New Zealand Dollars

	Note	2010 $000	Restated 2009 $000
Assets			
Property, plant and equipment	6	76,947	92,283
Intangible assets	8	369,144	376,296
Derivatives	22	2,363	8,062
Investments in associates	7	87,200	42,950
Investments in joint ventures	9	2,539	3,914
Other investments	10	187	182
Goodwill	8	4,296	4,900
Total non current assets		**542,676**	**528,587**
Inventories	12	75,567	92,328
Biological assets	13,29	12,365	9,492
Trade and other receivables	14,29	82,899	84,237
Derivatives	22	15,141	7,028
Cash and cash equivalents		31,916	7,826
Total current assets		**217,888**	**200,912**
Total assets		**760,564**	**729,498**

Consolidated balance sheet

AS AT 30 JUNE 2010

in New Zealand Dollars

	Note	2010 $000	Restated 2009 $000
Equity			
Issued capital	16	397,000	397,000
Other reserves		(5,829)	(1,124)
Retained earnings		70,237	57,811
Parent interests		**461,408**	**453,687**
Non controlling interest		-	7,442
Total equity		**461,408**	**461,129**
Liabilities			
Interest bearing loans and borrowings	17	165,504	15,288
Finance lease liabilities	19	80	62
Derivatives	22	2,532	7,314
Deferred tax	5	3,438	4,482
Employee benefits	20	339	334
ACC partnership program provision		1,132	1,203
Total non current liabilities		**173,025**	**28,683**
Bank overdraft		50	988
Interest bearing loans and borrowings	17	69,789	172,900
Finance lease liabilities	19	72	72
Trade and other payables	21	46,065	41,422
Derivatives	22	2,265	638
Provision for taxation	5	933	892
Provision for dividend		-	16,000
Employee benefits	20	6,957	6,774
Total current liabilities		**126,131**	**239,686**
Total liabilities		**299,156**	**268,369**
Total equity and liabilities		**760,564**	**729,498**

For and on behalf of the Board, who authorised the issue of these financial statements on 29 October 2010

Director

Director

The accompanying notes form part of these financial statements.

Parent company statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2010

in New Zealand Dollars

	Note	2010	2009
		$000	**$000**
Financial income		-	16,000
Financial expenses		-	-
Net financing costs	4	**-**	**16,000**
Profit before tax		**-**	**16,000**
Income tax expense		-	-
Profit for the year		**-**	**16,000**
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		**-**	**16,000**

Parent company statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2010

in New Zealand Dollars

	Note	Share capital	Retained earnings	Total equity
		$000	**$000**	**$000**
Balance at 1 July 2009	16	**397,000**	**35**	**397,035**
Total comprehensive income for the year, net of tax			-	-
Dividends to shareholders			-	-
Balance at 30 June 2010		**397,000**	**35**	**397,035**
Balance at 1 July 2008	16	**397,000**	**35**	**397,035**
Total comprehensive income for the year, net of tax			16,000	16,000
Dividends to shareholders			(16,000)	(16,000)
Balance at 30 June 2009		**397,000**	**35**	**397,035**

The accompanying notes form part of these financial statements.

Parent company balance sheet

AS AT 30 JUNE 2010

in New Zealand Dollars

	Note	2010 $000	2009 $000
Assets			
Investments in subsidiaries	11	397,031	413,031
Deferred tax	5	4	4
Total non current assets		**397,035**	**413,035**
Total assets		**397,035**	**413,035**
Equity			
Issued capital	16	397,000	397,000
Retained earnings		35	35
Total equity		**397,035**	**397,035**
Provision for dividend		-	16,000
Total current liabilities		**-**	**16,000**
Total liabilities		**-**	**16,000**
Total equity and liabilities		**397,035**	**413,035**

For and on behalf of the Board, who authorised the issue of these financial statements on 29 October 2010.

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 comprise the Kura Group (the "Group").

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

The financial statements of the Group are for the year ended 30 June 2010. The financial statements were authorised for issue by the directors on 29 October 2010.

The financial statements are presented in New Zealand dollars 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), applying the framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to profit-orientated entities that qualify for and apply differential reporting concessions. 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 qualifies for Differential Reporting 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 and NZ IAS 41, where the Company chose to fully apply these standards.

The financial statements are prepared on the 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 Group now recognises biological assets at their fair value rather than at cost. The Group believes fair value is the most appropriate policy going forward, in terms of performance measurement, ability to benchmark against other producers and shareholder requirements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for a change in the accounting policy for biological assets. Some 2009 balances have been reclassified to be consistent with the new policy.

Standards and Interpretations effective in the current period
In the current year, the Group has adopted NZ IAS 1 Presentation of Financial Statements (revised 2007) which is applicable for reporting periods beginning on or after 1 January 2009. Initial application of this standard did not affect any of the amounts recognised in the financial statements, but amended the presentation of the statement of comprehensive income and amended the statement of recognised income and expenses to the statement of changes in equity. There was no change in accounting policy relating to recognition or measurement due to the adoption of this standard.

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 INVESTEES)
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.

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

OTHER INVESTMENTS AND OTHER FINANCIAL COSTS
Other investments 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 profit and loss, loans and receivables or held-to-maturity investments. The classification depends on the purpose for which the investment or other financial asset 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 profit and loss**
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 and loans to key management personnel 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 profit or loss 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 related 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 profit and loss.

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 building	50 years
Fishing vessels	25 years
Plant and equipment:	
- General	10 years
- Mussel longlines	20 years
Motor vehicles	5 years
Furniture, fittings and office equipment	3 – 10 years
Ponds	10 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 assets recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than it's carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the profit and loss.

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) **Yuken Fishing quota rights**
Fishing quota rights are recorded at cost.

iv) **Marine Farm licenses**
Marine farm licenses are recorded at cost.

v) **Goodwill**
All business combinations are accounted for by applying the purchase 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 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.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their cost less impairment losses.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out 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 profit and loss. Biological assets are transferred to inventory at the time of harvest.

INTEREST BEARING BORROWINGS

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest basis.

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 profit and loss.

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 Sheet date.

TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost.

REVENUE

Revenue from the sales of goods is recognised in the profit and loss 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 profit and loss in the period in which they become receivable. Where grants from governments are received that relates 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 profit and loss on a straight line basis over the term of the lease. Lease incentives received are recognised in the profit and loss 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 profit and loss. Interest income is recognised in the profit and loss on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognised in the profit and loss 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 Sheet 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 profit and loss. 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.

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 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) Hedging – foreign exchange contracts

The Group uses foreign exchange contracts to hedge its exposure to foreign exchange risk arising from future sales of manufactured goods in foreign currencies.

Foreign exchange contracts are recognised in the Balance Sheet at their fair value. Where the foreign exchange contracts are designated as a hedge, the effective portion of changes in fair value of foreign exchange contracts is initially recognised in the hedging reserve, and subsequently transferred to the profit and loss at the point at which the sale and associated debtor are recorded. Any ineffective portion of the foreign exchange contracts are recognised immediately in the profit and loss.

INSURANCE CONTRACTS

Sealord 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 IAS 4, the Group accounts for its participation in the ACC partnership program as an insurance contract and recognises an insurance liability. Any gains or losses are recognised in the profit and loss in the period in which they arise.

The Group's insurance liabilities are valued annually by Bernie Higgins, FIA, actuarial valuer 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 4% pa.
- The discount rate used is 4.5%.

There were no qualifications contained in the actuarial report.

INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. Income tax expense is recognised in 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 Company qualifies for differential reporting exemptions under NZ IAS 12, the Group has 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 year, 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 and liabilities 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 is 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

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

Notes to the financial statements

in New Zealand Dollars

1. Other operating income

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Profit on disposal of assets	4,777	2	-	-
Sub lease income	45	-	-	-
Reversal of impairment of investment in associate (Yuken)	-	7,750	-	-
Recovery of long term trade receivables	815	6,100	-	-
Profit on disposal of shares	-	6,446	-	-
	5,637	**20,298**	-	-

2. Other operating expense

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Restructure costs	(1,849)	(10,596)	-	-
Acquisition costs	(1,510)	-	-	-
Auditors remuneration – audit fees	(442)	(370)	-	-
Auditors remuneration – other	(465)	(326)	-	-
Directors fees	(409)	(413)	-	-
Loss on sale of property, plant and equipment	-	(2)	-	-
Rental and operating lease costs	(5,811)	(5,930)	-	-
Impairment of property, plant and equipment	(2,374)	(954)	-	-
Foreign exchange variations	(171)	(1,489)	-	-
	(13,031)	**(20,080)**	-	-

3. Personnel expenses

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Wages and salaries	(78,889)	(80,702)	-	-
(Increase) / decrease in liability for long service leave	19	(31)	-	-
	(78,870)	**(80,733)**	-	-

4. Net financing costs

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Dividend income	-	-	-	16,000
Interest income	-	394	-	-
Financial income	-	**394**	-	**16,000**
Interest expense	(9,667)	(11,357)	-	-
Financial expenses	**(9,667)**	**(11,357)**	-	-
	(9,667)	**(10,963)**	-	**16,000**

Notes to the financial statements

in New Zealand Dollars

5. Income Tax	Group	
		Restated
	2010	2009
A. Income tax expense:	**$000**	**$000**
Current tax expense		
Current year	8,350	2,731
Adjustment for prior periods	(1,545)	962
	6,805	**3,693**
Deferred tax expense / (benefit)		
Change in depreciation rates for long-lived buildings	2,129	-
Change in tax rate	(384)	-
Other deferred tax expense	(4,793)	(1,365)
	(3,048)	**(1,365)**
Total income tax expense	**3,757**	**2,328**
Reconciliation of effective tax rate		
Profit before tax and share of associates	**14,683**	**22,011**
Income tax using the company tax rate @ 30%	4,405	6,603
Tax exempt income	(1,858)	(5,270)
Non deductible expenses	1,606	224
Under / (over) provided in prior periods	(1,545)	962
Change in depreciation rates for long-lived buildings	2,129	-
Change in tax rate	(384)	-
Tax at other rates	(596)	(191)
	3,757	**2,328**

Change in depreciation rates for long-lived buildings
In May 2010, the New Zealand Government announced its 2010 Budget, which effectively removes the depreciation deduction on buildings with expected lives of 50 years or more and that are intended to be held for use (either for own use or for use as an investment property). Repairs and maintenance as well as depreciation deductions for "fit out" items not considered to be a part of a building expenditure will remain deductible for income tax purposes.

Under NZ IAS 12, a taxable temporary difference arises when the carrying amount of an asset for accounting purposes exceeds its tax base. The removal of tax deductions for depreciation means that there will no longer be tax deductions to claim against the taxable benefits generated through use of the asset. Consequently, the Group had to recognise a material tax expense of $2,129,000. This is a onetime effect that will reverse over the remaining useful life of the buildings. The weighted average reversal period for the Group is 30 years.

Change in tax rate
The New Zealand Government also announced a change in the company tax rate from 30% to 28% with effect from the 1 July 2011. The change in rate was approved by Parliament on 21 May 2010. Accordingly the deferred taxes have been remeasured at 28% to the extent the underlying temporary differences are expected to reverse from 1 July 2011.

B. Recognised deferred tax assets and liabilities

	Group				Parent	
			Restated			
	2010	2010	2009	2009	2010	2009
	$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	(892)	(4,482)	713	(3,669)	4	4
Acquisition of subsidiary	-	-	(1,518)	-	-	-
Charged to income	(6,805)	3,048	(3,693)	1,365	-	-
Charged to equity	-	(2,114)	-	(2,228)	-	-
Other payments	6,665	-	3,705	-	-	-
Foreign currency translation reserve	99	110	(99)	50	-	-
Closing balance	**(933)**	**(3,438)**	**(892)**	**(4,482)**	**4**	**4**

Tax expense in profit and loss		(3,757)		(2,328)
Amounts recognised in balance sheet:				
Deferred tax asset		7,732		9,211
Deferred tax liability		(11,170)		(13,693)
		(3,438)		**(4,482)**

Deferred income tax at 30 June relates to the following:

	2010	2009
Consolidated	**$000**	**$000**
i) Deferred tax liabilities		
Derivatives	4,901	4,478
Fixed assets	6,269	9,215
	11,170	**13,693**

B. Recognised deferred tax assets and liabilities (continued)

	2010	2009
	$000	**$000**
ii) Deferred tax assets:		
Inventory	3,073	2,519
Derivatives	1,343	2,336
Trade and payables	2,224	3,307
Employee benefits	117	131
Finance lease liabilities	43	40
ACC partnership program provision	317	361
Fixed assets	238	124
Other	377	393
	7,732	**9,211**

Parent

i) Deferred tax assets:		
Other	4	4
	4	4

C. Imputation credit account

The amount of imputation credits available for the subsequent financial year are:

	Group		Parent	
	2010	**2009**	**2010**	**2009**
	$000	**$000**	**$000**	**$000**
Opening balance	27,389	34,003	-	-
Imputation credits attached to dividend received during the year		-	-	-
Imputation credits attached to dividend paid during the year	(6,469)	(6,469)	-	-
Income tax payments during the year	1,450	1,000	-	-
Income tax refunds during the year	(1,000)	(1,145)	-	-
Closing balance	**21,370**	**27,389**	-	-

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

6. Property, plant and equipment

	Group				
	Cost	Current year depreciation	Current year impairment loss	Accumulated depreciation	Carrying value
2010	**$000**	**$000**	**$000**	**$000**	**$000**
Land – freehold	1,448	-	-	-	1,448
Land – leasehold	32	-	-	-	32
Land – ponds	8,962	(895)	-	(895)	8,067
Buildings – freehold	6,758	(170)	-	(2,585)	4,173
Buildings – on leased land	21,168	(719)	(2,121)	(10,381)	10,787
Plant and equipment	55,049	(2,619)	(213)	(36,472)	18,577
Fishing vessels	67,731	(3,971)	(36)	(41,983)	25,748
Motor vehicles	277	(33)	-	(188)	89
Furniture, fittings and equipment	7,297	(751)	(4)	(4,942)	2,355
	168,722	**(9,158)**	**(2,374)**	**(97,446)**	**71,276**
Capital work in progress	5,671	-	-	-	5,671
	174,393	**(9,158)**	**(2,374)**	**(97,446)**	**76,947**
2009		**$000**	**$000**	**$000**	**$000**
Land – freehold	1,532	-	-	-	1,532
Land – leasehold	32	-	-	-	32
Land – ponds	9,108	-	-	-	9,108
Buildings – freehold	6,965	(153)	-	(2,532)	4,433
Buildings – on leased land	21,953	(749)	-	(8,223)	13,730
Plant and equipment	76,058	(2,693)	(34)	(49,185)	26,873
Fishing vessels	77,810	(4,122)	(920)	(47,007)	30,803
Motor vehicles	307	(18)	-	(186)	121
Furniture, fittings and equipment	11,023	(702)	-	(8,274)	2,749
	204,788	**(8,437)**	**(954)**	**(115,407)**	**89,381**
Capital work in progress	2,902	-	-	-	2,902
	207,690	**(8,437)**	**(954)**	**(115,407)**	**92,283**

The Group's banking syndicate holds a mortgage over fishing vessels and interest in land of $20,315,000 (2009: $24,044,000) and $9,547,000 (2009: $10,672,000) respectively and the remaining assets are secured under the arrangements referred to in Note 17.

Impairment
In 2010, the Group undertook an impairment review of its fixed assets and as a result impaired buildings of $2,121,000, plant of $213,000, fishing vessel equipment of $36,000 and equipment of $4,000. Included in buildings is the impairment of $1,750,000 on the buildings at Beatty Street, Nelson. Registered valuers Duke & Cooke Limited valued the property on 1 July 2010 at $2,890,000. In 2009 marine farm assets of $34,000 were recognised as no longer used and were impaired and in 2009 the vessel Taimania was impaired by $920,000 to bring its carrying value to a market value.

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 30 June 2010 the net carrying value of the computer equipment was $144,000 (2009: $127,000).

7. Equity accounted investments

	Group 2010 $000	Group 2009 $000
Share of profit / (loss) before tax	10,235	2,715
Sale of assets	-	(4,933)
Income tax	(2,762)	(854)
Share of profit / (loss)	**7,473**	**(3,072)**

	Group 2010 $000	Group 2009 $000
Carrying amount at beginning of year	42,950	58,434
Share of profit / (loss)	7,473	(3,072)
Dividends received	(952)	(903)
Advance to associate	250	-
Reversal of impairment of investment in associate (Yuken)	-	7,750
Reclassification of associate to subsidiary	-	(17,214)
Acquisition of associate	43,205	-
Sale of shares in associate	-	(3,694)
Exchange variation in investment denominated in foreign currency	(5,726)	1,649
Carrying amount at end of year	**87,200**	**42,950**

	Percentage held by Group		Balance date	Group carrying amount	
	2010	2009		2010	2009
Significant associates	%	%		$000	$000
New Zealand Longline Limited	50	50	30 September	6,568	5,734
Nordic Seafood A/S	35	35	30 April	25,049	26,720
Europacifico Alimentos de Mar S.L.	40	40	30 June	1,770	2,019
North Island Mussel Processors Ltd	33	33	30 September	1,202	2,349
Westfleet Seafoods Ltd	50	50	30 September	4,296	4,027
EBA Investments Limited	50	50	30 June	340	340
Mas Afueras S.A.	33	33	31 December	578	581
Petuna Sealord Deepwater Fishing Pty Limited	50	50	30 June	1,096	1,095
Petuna Aquaculture Pty Limited	50	-	30 June	46,216	-
Frendtrawl Limited	29	29	31 December	85	85
Carrying amount at end of year				**87,200**	**42,950**

Nordic Seafood A/S carrying amount includes goodwill of $9,487,000 (2009: $11,118,000). The Group's interest in Petuna Aquaculture Pty Limited was acquired on 1 July 2009. Included within the carrying amount for this entity is goodwill of $25,173,000.

There are no restrictions on the ability of the associates to transfer funds to the investor in the form of cash dividends, or repayments of loans or advances.

New Zealand Longline Limited

New Zealand Longline Limited is a fishing joint venture. The results for the 3 months to 30 September 2009 were audited, however the results from that date to 30 June 2010 are unaudited.

7. Equity accounted investments (continued)

Nordic Seafood A/S

Nordic Seafood A/S is a seafood marketing company based in Denmark. The results to 30 April 2010 are audited, however the results from that date to 30 June 2010 are unaudited.

Europacifico Alimentos Del Mar S.L.

Europacifico Alimentos Del Mar S.L. is a seafood marketing company based in Spain. The results to 31 December 2009 are audited, however the results from that date to 30 June 2010 are unaudited.

North Island Mussel Processors Limited

North Island Mussel Processors Limited is a mussel processing plant based in New Zealand. The results for the 3 months to 30 September 2009 were audited, however the results from that date to 30 June 2010 are unaudited.

Westfleet Seafoods Limited

Westfleet Seafood Limited owns fishing quota and catches and sells seafood based in New Zealand. The results for the full year ended 30 June 2010 are unaudited.

EBA Investments Limited

EBA Investments Limited is an investment company based in New Zealand. The results for the full year ended 30 June 2010 are unaudited.

Mas Afueras S.A.

Mas Afueras S.A. is a non trading company based in Chile. The results for the full year ended 31 December 2009 are audited, however the results from that date to 30 June 2010 are unaudited.

Petuna Sealord Deepwater Fishing Pty Limited

Petuna Sealord Deepwater Fishing Pty Limited catches and sells seafood based in Australia. The results for the full year ended 30 June 2010 have been audited.

Petuna Aquaculture Pty Limited

Petuna Aquaculture Pty Limited is a salmon and trout farmer based in Australia. The results for the full year ended 30 June 2010 have been audited.

Frendtrawl Limited

Frendtrawl Limited is a non trading company. The results for the full year ended 30 June 2010 are unaudited.

8. Intangible assets

	Group 2010 $000	Group 2009 $000
NZ fishing quota catching rights		
Cost		
Balance at beginning of year	311,326	311,176
Acquired during the year	-	150
Balance at end of year	**311,326**	**311,326**
Impaired losses		
Balance at beginning of year	1,445	1,445
Impairment charge	-	-
Balance at end of year	**1,445**	**1,445**
Carrying amounts		
At 1 July	309,881	309,731
At 30 June	**309,881**	**309,881**

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 NZ fishing quota catching rights.

	Group 2010 $000	Group 2009 $000
Australian fishing quota		
Cost		
Balance at beginning of year	15,567	15,777
Acquired during the year	-	-
Exchange variation in fishing quota denominated in foreign currency	(201)	(210)
Balance at end of year	**15,366**	**15,567**
Carrying amounts		
At 1 July	15,567	15,777
At 30 June	**15,366**	**15,567**

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.

8. Intangible assets (continued)

	Group	
	2010	**2009**
Yuken fishing licenses and quota rights	**$000**	**$000**
Cost		
Balance at beginning of year	36,864	-
Acquired during the year	692	-
Acquisition of subsidiary	-	41,624
Exchange variation in fishing quota denominated in foreign currency	(1,421)	(4,760)
Balance at end of year	**36,135**	**36,864**
Carrying amounts		
At 1 July	36,864	-
At 30 June	**36,135**	**36,864**

Fishing licenses are granted in perpetuity to the holder. The Argentine Government is in the process of introducing a quota management system to the fishery to grant license holders individually transferable quota. Quota is currently being granted for 15 years, although there is an expectation that this will be extended to perpetuity as per the legislation. Therefore, fishing quota rights are deemed to have an indefinite useful life.

	Group	
	2010	**2009**
	$000	**$000**
Software		
Cost		
Cost	11,805	8,464
Exchange variation in software denominated in foreign currency	(64)	(5)
Balance at end of year	**11,741**	**8,459**
Amortisation		
Accumulated amortisation	6,500	5,714
Amortised charge	860	786
Balance at end of year	**7,360**	**6,500**
Carrying amounts		
At 1 July	1,959	1,127
At 30 June	**4,381**	**1,959**

8. Intangible assets (continued)

	Group 2010	Group 2009
Marine farm licences	**$000**	**$000**
Cost		
Balance at beginning of year	12,692	12,702
Acquired during the year	13	(10)
Disposed of during the year	(9,190)	-
Balance at end of year	**3,515**	**12,692**
Amortisation		
Balance at beginning of year	667	667
Amortised charge	-	-
Disposed of during the year	(533)	-
Balance at end of year	**134**	**667**
Carrying amounts		
At 1 July	12,025	12,035
At 30 June	**3,381**	**12,025**

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

	Group 2010	Group 2009
Total carrying amounts	**$000**	**$000**
NZ fishing quota catching rights	309,881	309,881
Australian Fishing quota	15,366	15,567
Yuken fishing licences and quota rights	36,135	36,864
Software	4,381	1,959
Marine farm licences	3,381	12,025
	369,144	**376,296**

	Group 2010	Group 2009
Goodwill	**$000**	**$000**
Balance at beginning of year	4,900	4,984
Exchange variation in goodwill denominated in foreign currency	(604)	(84)
Balance at end of year	**4,296**	**4,900**

Notes to the financial statements

in New Zealand Dollars

9. Investments in joint ventures

	Group	
	2010	2009
	$000	$000
Share of joint venture net assets	2,539	3,914

10. Other investments

	Group	
	2010	2009
	$000	$000
Shares held	187	182

11. Investments in subsidiaries

	Parent	
	2010	2009
	$000	$000
Shares in subsidiaries	197,290	197,290
Advances to subsidiaries	199,741	215,741
	397,031	**413,031**

12. Inventories

Inventories of $75,567,000 (2009: $92,328,000) are provided as security under the arrangements referred to in note 17.

13. Biological assets

	Group	
		Restated
	2010	2009
	$000	$000
Mussel spat		
Opening balance	1,713	1,348
Gain / (loss) arising from changes in fair value less estimated point-of-sale costs	612	1,838
Decrease due to harvest	(1,445)	(1,473)
Closing balance	**880**	**1,713**
Mussel crop		
Opening balance	5,853	9,124
Gain / (loss) arising from changes in fair value less estimated point-of-sale costs	3,542	(2,558)
Increases due to purchases	905	1,167
Decrease due to harvest	(4,479)	(1,880)
Closing balance	**5,821**	**5,853**

13. Biological assets (continued)

	Group	
		Restated
	2010	2009
	$000	$000
Fish grow out stock		
Opening balance	1,926	-
Increases resulting from a business combination	-	1,820
Gain / (loss) arising from changes in fair value less estimated point-of-sale costs	5,350	106
Decrease due to harvest	(1,498)	-
Net exchange differences arising on the translation	(114)	-
Closing balance	**5,664**	**1,926**
Total		
Opening balance	9,492	10,472
Gain / (loss) arising from changes in fair value less estimated point-of-sale costs	9,504	(614)
Increases due to purchases	905	1,167
Decrease due to harvest	(7,422)	(3,353)
Increases resulting from a business combination	-	1,820
Net exchange differences arising on the translation	(114)	-
Closing balance	**12,365**	**9,492**

At balance date, it was estimated that biological assets includes 10,989t (2009: 16,402t) of mussels and fin fish. The output of biological assets harvested during the year was 14,260t (2009: 6,874t). The fair value of products harvested during the year was $7,422,000 (2009: $3,353,000). Harvested mussel crop and fish grow out stock are transferred to inventory.

Fair values at point of harvest are based on market value or value in use.

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%

Biological assets of $12,365,000 (2009: $9,492,000) are included in the security arrangements referred to in note 17.

14. Trade and other receivables

		Group	
			Restated
		2010	2009
		$000	$000
Trade receivables		54,729	59,992
Other receivables	29	22,751	17,398
Prepayments		5,410	6,840
Finance lease prepaid interest		9	7
		82,899	**84,237**

An error was identified in the financial year in relation to charter costs which had not been charged through the profit and loss. The charges were held within other receivables and were overstated at 1 July 2008 and 30 June 2009 (refer to note 29 for further information).

15. Financial assets and liabilities

	Group 2010			Parent 2010		
	Loans & receivables	Held to maturity investments	Derivative financial instruments	Loans & receivables	Held to maturity investments	Derivative financial instruments
	$000	$000	$000	$000	$000	$000
Financial assets						
Fair value foreign commodity swaps	-	-	-	-	-	-
Fair value foreign currency forwards and options	-	-	17,497	-	-	-
Fair value interest rate swaps	-	-	7	-	-	-
Trade and other receivables	77,480	-	-	-	-	-
Cash and cash equivalents	31,916	-	-	-	-	-
Related party loans	-	-	-	199,741	-	-
	109,396	-	**17,504**	**199,741**	-	-

	Liabilities at amortised cost	Held to maturity investments	Derivative financial instruments	Liabilities at amortised cost	Held to maturity investments	Derivative financial instruments
	$000	$000	$000	$000	$000	$000
Financial liabilities						
Fair value foreign commodity swaps	-	-	1,317	-	-	-
Fair value foreign currency forwards and options	-	-	1,596	-	-	-
Fair value interest rate swaps	-	-	1,884	-	-	-
Shareholder loans	77,887	-	-	-	-	-
Bank loans	157,406	-	-	-	-	-
Finance lease liabilities	152	-	-	-	-	-
Trade and other payables	46,065	-	-	-	-	-
Cash and cash equivalents	50	-	-	-	-	-
	281,560	-	**4,797**	-	-	-

15. Financial assets and liabilities (continued)

	Group 2009			Parent 2009		
	Loans & receivables	Held to maturity investments	Derivative financial instruments	Loans & receivables	Held to maturity investments	Derivative financial instruments
	$000	$000	$000	$000	$000	$000
Financial assets						
Fair value foreign commodity swaps	-	-	1,399	-	-	-
Fair value foreign currency forwards and options	-	-	13,691	-	-	-
Trade and other receivables	88,889	-	-	-	-	-
Cash and cash equivalents	7,826	-	-	-	-	-
Related party loans	-	-	-	215,741	-	-
	96,715	-	15,090	215,741	-	-

	Liabilities at amortised cost	Held to maturity investments	Derivative financial instruments	Liabilities at amortised cost	Held to maturity investments	Derivative financial instruments
	$000	$000	$000	$000	$000	$000
Financial liabilities						
Fair value foreign commodity swaps	-	-	932	-	-	-
Fair value foreign currency forwards and options	-	-	6,199	-	-	-
Fair value interest rate swaps	-	-	821	-	-	-
Bank loans	188,188	-	-	-	-	-
Finance lease liabilities	134	-	-	-	-	-
Trade and other payables	41,422	-	-	-	-	-
Cash and cash equivalents	988	-	-	-	-	-
	230,732	-	7,952	-	-	-

16. Capital and reserves

At 30 June 2010 the share capital of the Company comprised 100 full paid up capital shares (2009: 100). All shares have equal voting rights and share equally in dividends and surplus on winding up.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of foreign exchange contracts related to hedging transactions that have not yet occurred.

Translation reserve
The translation reserve comprising 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
There were no dividends declared by the Group for the year ended 30 June 2010. The dividend declared in 2009 was paid in December 2009.

	2010	2009
	$000	$000
2009: $160,000 per ordinary share	-	16,000

17. Interest bearing loans and borrowings

	Group	
	2010	2009
Non current	$000	$000
Secured bank loans	77,887	-
Unsecured subordinated shareholder loans	87,617	15,288
	165,504	**15,288**

	2010	2009
Current	$000	$000
Secured bank loans	**69,789**	**172,900**

There were no defaults on secured bank loans for the year ended 30 June 2010.

Subordinated shareholder loans are made up of two unsecured loans of USD 10,000,000 and USD 50,000,000. Interest is charged at market interest rates with a maturity date of January 2019 and November 2012, respectively.

The Group's banking facility was refinanced on 26 May 2010 when the Group entered into a new multi-option facilities with the syndicate listed below:

- ANZ National Bank Limited;
- Australia and New Zealand Banking Group Limited (London Branch);
- Bank of New Zealand;
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.; and
- Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (New Zealand branch).

The banking facilities include multi-currency cash advances and money market facilities to enable the Group to meet its operational and capital expenditure requirements.

Notes to the financial statements

in New Zealand Dollars

17. Interest bearing loans and borrowings (continued)

The repayment dates of the banking facilities are as follows:

Tranches A and B	31 October 2010	$69,789,000
Tranche C	31 January 2012	$68,398,000
Tranche D	31 January 2013	$9,489,000

The current secured bank loans of $69,789,000 comprise tranches A and B and were refinanced on 29 October 2010. Tranche A and tranche B now have an expiry date of 31 January 2012 and 31 January 2013 respectively.

SECURITY

The Group's banking facilities described above are secured, including by way of all asset security over the Company and each of the subsidiaries referred to in note 26, other than Yuken S.A., Alimentos Mar Profundo S.A and Sealord Malaysia Limited.

18. Capital maintenance

When managing capital, the Group's objective is to ensure the entity 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 of 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.

In December 2009, the Company paid dividends of $16,000,000 (2009: $16,000,000).

The Company monitors capital through the gearing ratio (net debt / total capital). The target for the gearing ratio is between 20% and 35%. The gearing ratio is based on continuing operations at 30 June 2010 and 2009 and was as follows:

	Group	
	2010	**Restated 2009**
	$000	**$000**
Total borrowings*	281,338	229,610
Less cash and cash equivalents	(31,916)	(6,838)
	249,422	**222,772**
Total equity	461,408	461,129
Total capital	**710,830**	**683,901**
Gearing ratio	**35%**	**33%**

*Includes interest bearing loans and borrowings and trade and other payables.

The Group was required to comply with banking covenants set by the banking syndicate during the year, to which no defaults were made. In addition to the banking covenants the Group was compliant with all other externally imposed capital requirements.

Notes to the financial statements

in New Zealand Dollars

19. Finance lease liabilities

	Group 2010 $000	Group 2009 $000
Current	72	72
Non current	80	62
	152	134

Finance lease liabilities are payable as follows:

	Minimum lease payments 2010 $000	Interest 2010 $000	Principal 2010 $000	Minimum lease payments 2009 $000	Interest 2009 $000	Principal 2009 $000
Less than 1 year	72	4	68	72	4	68
Between 1 and 5 years	80	4	76	62	3	59
More than 5 years	-	-	-	-	-	-
	152	8	144	134	7	127

20. Employee benefits

	Group 2010 $000	Group 2009 $000
Non current		
Liability for long-service leave	339	334
	339	334
Current		
Liability for long-service leave	78	102
Liability for annual leave	4,569	4,339
Liability for payroll	2,029	2,231
Liability for payroll other	281	102
	6,957	6,774

21. Trade and other payables

	Group 2010 $000	Group 2009 $000
Trade payables	46,065	41,422
	46,065	41,422

22. Derivative financial instruments

	Group		Parent	
	2010	2009	2010	2009
Current assets	$000	$000	$000	$000
Forward currency contracts and currency options – held for trading	3,059	-	-	-
Forward currency contracts and currency options – cash flow hedges	12,076	7,028	-	-
Interest rate swap contracts – held for trading	6	-	-	-
	15,141	**7,028**	-	-
Current liabilities				
Forward commodity contracts – held for trading	1,164	226	-	-
Forward commodity contracts – cash flow hedges	153	-	-	-
Forward currency contracts – held for trading	386	141	-	-
Forward currency contracts and currency options – cash flow hedges	558	225	-	-
Interest rate swap contracts – cash flow hedges	4	46	-	-
	2,265	**638**	-	-
Non current assets				
Forward commodity contracts – held for trading	-	1,399	-	-
Forward currency contracts and currency options – held for trading	-	2,136	-	-
Forward currency contracts and currency options – cash flow hedges	2,362	4,527	-	-
Interest rate swap contracts – cash flow hedges	1	-	-	-
	2,363	**8,062**	-	-
Non current liabilities				
Forward commodity contracts – held for trading	-	706	-	-
Forward currency contracts and currency options – held for trading	-	755	-	-
Forward currency contracts and currency options – cash flow hedges	652	5,078	-	-
Interest rate swap contracts – cash flow hedges	1,880	775	-	-
	2,532	**7,314**	-	-

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 requirement 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 profit and loss in the period they occur. The net fair value gains on foreign currency derivatives during the year were $239,000 for the Group (2009: $1,371,000) and nil (2009: nil) for the Company.

Forward currency contracts and currency options – cash flow hedges

The Group's sales span 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 of the Group currently bear an average variable rate interest rate of 2.58%. 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 39% (2009: 61%) of the principal outstanding and are timed to expire at or before the renewal dates of each loan. The fixed interest rates range between 2.14% and 8.00% (2009: 2.14% and 6.95%) and the variable rates between 0.9% above the reference rates which at balance date were between 0.25% and 4.54% (2009: 0.598% and 3.240%).

Forward commodity contracts – held for trading

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

Leases as leasee

Non cancellable operating lease rental are payable as follows:	Group	
	2010	**2009**
	$000	**$000**
Less than 1 year	3,990	4,085
Between 1 year and 5 years	10,141	12,127
More than 5 years	12,028	11,589
	26,159	**27,801**

24. Capital commitments

As at 30 June 2010 the Company and its subsidiaries entered into contracts for $44,000 (2009: $151,000).

25. Contingent liabilities

The Company and its subsidiaries have given bank guarantees amounting to $10,765,000 (2009: $14,138,000).

in New Zealand Dollars

26. Related parties

a. Subsidiaries

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

Subsidiaries	% held 2010	% held 2009	Balance date
Sealord Group Limited	100%	100%	30 June
Sealord Charters Limited	100%	100%	30 June
Sealord Shellfish Limited	100%	100%	30 June
Sealord Marine Farms Limited	100%	100%	30 June
Sealord Australia Pty Limited	100%	100%	30 June
Sealord (Europe) Limited	100%	100%	30 June
Sealord Caistor Limited	100%	100%	30 June
Sealord Pacific Limited	100%	100%	30 June
Sealord Holdings Inc.	100%	100%	30 June
Sealord (Asia) Limited	100%	100%	30 June
Sealord North America Inc.	100%	100%	30 June
Sealord New Zealand Marketing Limited	100%	100%	30 June
King Reef Seafoods NZ Limited	100%	100%	30 June
Keith Graham Limited	100%	100%	30 June
Elaine Bay Aquaculture Limited	100%	100%	30 June
Yuken S.A.	100%	83.34%	31 March
Sealord Investments Limited	100%	100%	30 June
Standard 932 Limited	100%	100%	30 June
King Reef Seafood Pty Limited	100%	100%	30 June
Australian Deepwater Fishing Pty Limited	100%	100%	30 June
Azzuro Seafood Pty Limited	100%	100%	30 June
Mussel Investments Limited	100%	100%	30 June
United Fame Investments Limited	100%	100%	30 June
United Fame Investments (Cook Islands) Limited	100%	100%	30 June
Alimentos Mar Profundo S.A.	100%	100%	31 December
Fifeshire Fishing (1993) Limited	100%	100%	30 June
Wisehold 11 Limited	100%	100%	30 June
Sealord Malaysia Sdn. Bhd.	100%	100%	30 June
Ocean Essence Limited	100%	100%	30 June

The principal activities of the Group are the 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.

26. Related parties (continued)

Related party		Sales to related parties $000	Purchases from related parties $000	Guarantee / collateral given $000	Other transactions with related parties $000
Consolidated					
Entities with significant influence					
Nippon Suisan Kaisha Limited – Loans drawndown	**2010**	-	-	-	**69,609**
	2009	-	-	-	-
Nippon Suisan Kaisha Limited – Interest paid	**2010**	-	-	-	**974**
	2009	-	-	-	-
Entities with significant influence Total	**2010**	-	-	-	**70,583**
	2009	-	-	-	-
Associate:					
Nordic Seafood A/S – sales of seafood	**2010**	**43,514**	-	-	-
	2009	49,064	-	-	-
Nordic Seafood A/S – dividend received	**2010**	-	-	-	**952**
	2009	-	-	-	903
Europacifico Alimentos del Mar S.L. – sales of seafood	**2010**	**6,160**	-	-	-
	2009	5,372	-	-	-
Europacifico Alimentos del Mar S.L. – standby letter of credit	**2010**	-	-	**1,429**	-
	2009	-	-	4,841	-
New Zealand Longline Limited – purchase of inventories	**2010**	-	**2**	-	-
	2009	-	3,085	-	-
New Zealand Longline Limited – sale of asset	**2010**	-	-	-	**50**
	2009	-	-	-	-
New Zealand Longline Limited – bank guarantee	**2010**	-	-	**1,400**	-
	2009	-	-	1,400	-
Westfleet Seafoods Limited – purchase of inventories	**2010**	-	**3,751**	-	-
	2009	-	3,710	-	-
Petuna Aquaculture Pty Limited – purchase of inventories	**2010**	-	**58,335**	-	-
	2009	-	-	-	-
Petuna Aquaculture Pty Limited – sales agency payment	**2010**	-	-	-	**591**
	2009	-	-	-	-
Petuna Aquaculture Pty Limited – employee costs	**2010**	-	-	-	**131**
	2009	-	-	-	-
Petuna Sealord Deepwater Fishing Pty Limited – lease of quota	**2010**	-	-	-	**418**
	2009	-	-	-	442
Petuna Sealord Deepwater Fishing Pty Limited – purchase of inventories	**2010**	-	**9,435**	-	-
	2009	-	13,576	-	-
Petuna Sealord Deepwater Fishing Pty Limited – bank guarantee	**2010**	-	-	**981**	-
	2009	-	-	995	-
Associate Total	**2010**	**49,674**	**71,523**	**3,810**	**2,142**
	2009	54,436	20,371	7,236	1,345

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**
Parent					
Subsidiaries:					
Dividend revenue	**2010**	-	-	-	-
	2009	-	-	-	16,000

All transactions with related parties are at arms 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. Acquisition of non controlling interest

On 31 July 2009, Sealord Investments Limited acquired the remaining 16.66% of the shares in Yuken S.A. for $7,442,000, which took Sealord Investments Limited's total ownership in Yuken S.A to 100%. The remainder of the non controlling interest related to an earn out payment of $5,973,000 made under a previous part of the step acquisition.

28. Going concern

The considered view of the Directors of the Group is that, after making due enquiry, there is a reasonable expectation that the Group has adequate resources to continue at existing levels for the next 12 months from 29 October 2010.

29. Comparative restatements

In note 14, an error was identified in the financial year in relation to charter costs which had not been charged through the profit and loss. The charges were held within other debtors and were overstated at 1 July 2008 and 30 June 2009. The following changes have been made to restate the comparatives as follows:

1 July 2008:

Within the consolidated statement of changes in equity, opening equity at 1 July 2008 has been reduced by $1,160,000.

30 June 2009:

Within the consolidated statement of comprehensive income cost of goods sold has increased by $2,994,000 and tax expense decreased by $898,000 with an overall reduction of $2,096,000 to retained earnings at 30 June 2009. The impact on the balance sheet was a reduction in other debtors of $4,651,000 and a reduction in the provision for taxation of $1,395,000.

During 2010 the Group changed the valuation policy of biological assets from cost to fair value. The change in policy has resulted in a retrospective change in comparatives. The following changes have been made:

1 July 2008:

Within the consolidated statement of changes in equity, opening equity at 1 July 2008 has been increased by $2,920,000. The impact on the balance sheet was an increase in biological assets of $4,172,000 and an increase in the provision for taxation of $1,252,000.

30 June 2009:

Within the consolidated statement of comprehensive income cost of goods sold has increased by $5,777,000 and tax expense decreased by $1,733,000 with an overall reduction of $4,044,000 to retained earnings at 30 June 2009. The impact on the balance sheet was a reduction in biological assets of $1,605,000 and a reduction in the provision for taxation of $482,000.

30. Subsequent event

On 31 August 2010 the Group's 35% share of the investment in Nordic Seafood A/S was disposed of for $23,270,000.

The current secured bank loans of $69,789,000 comprise tranches A and B and were refinanced on 29 October 2010. Tranche A and tranche B now have an expiry date of 31 January 2012 and 31 January 2013 respectively.