BlueSkyMeats

New Zealand farmed, Southern fresh

BLUE SKY MEATS (NZ) LIMITED | ANNUAL REPORT | 31 MARCH 2016





CONTACT DETAILS

Plant
No 1 R D, Invercargill

Telephone:	03-231 3421
Facsimile:	03-231 3457
Email:	bluesky@bluesky.co.nz
Internet:	www.bluesky.co.nz

Procurement Staff

	Mobile	After Hours
Mr Russell Cavanagh	0274 339 345	03-217 7020
Mr Brent Pierce	0274 328 568	03-213 1081
Mr Norm Wilson	0272 310 039	03-208 8157
Mr Angus Handisides	0276 009 002	03-488 1067
Mr Paul McCabe	0274 064 589	03-203 8374

Horizon Meats New Zealand
PO Box 4249, Auckland

Telephone:	09-366 6234
Facsimile:	09-308 9986
Email:	chad@lamb.co.nz
Internet:	www.lamb.co.nz

Blue Sky Meats Gore
1 River Road, Gore

Telephone:	03-208 7513
Facsimile:	03-208 0496

Company Accountant and Share Register
McCulloch + Partners, Chartered Accountants
Cargill Chambers, 128 Spey Street
PO Box 844, Invercargill

Telephone:	03-218 6179
Facsimile:	03-218 2238
Email:	mcp@mcp.co.nz
Internet:	www.mcp.co.nz

CONTENTS

DIRECTORY

Directors:	Graham J Cooney (Chairman) J Peter Houlker Malcolm J McMillan Peter J Carnahan Scott O'Donnell Andrew G Lowe
Accountants:	McCulloch + Partners Chartered Accountants Invercargill
Divisional Managers:	
General Manager	M McMillan
Marketing Manager	C Brown
Morton Mains Slaughter Operations / Technical Manager	W Wells
Morton Mains Further Processing / Human Resource Operations Manager	B Jenkins
Environmental Manager	M Ferguson
Gore Operations Manager	C Cowan
Administration Manager	M Sloan
Engineering Manager	G Tippett
Procurement Manager	R Cavanagh
Auditors:	Deloitte Dunedin
Share Registrar:	McCulloch + Partners Chartered Accountants Invercargill
Bank:	Westpac Banking Corporation Invercargill
Registered Office and Address for Service:	McCulloch + Partners Cargill Chambers, 128 Spey Street Invercargill

NOTICE OF MEETING

The Directors of Blue Sky Meats (NZ) Limited request the pleasure of your attendance at the Thirtieth Annual Meeting of the Company to be held at Ascot Park Hotel, Invercargill on Monday the 8th August 2016 at 4.00 pm and afterwards as their guests for refreshments.

BUSINESS

1 To receive and consider the Annual Report including the Financial Statements for the year ended 31st March 2016 and the Auditors Report to shareholders.

2 Election of Directors. In accordance with the Constitution P J Carnahan and G J Cooney retire by rotation. Both P J Carnahan and G J Cooney, being eligible, offer themselves for re-election.

3 To authorise Directors' fees of $240,000 per annum, in total, for the 2016/2017 year.

4 To record the reappointment of Deloitte as auditors and to authorise the Directors to fix their remuneration for the ensuing year.

5 To transact any other business that may properly be transacted at the meeting.

By Order of the Board

McCulloch + Partners
Chartered Accountants
Invercargill

Date: 8th June 2016

Proxies

Shareholders may be represented by a proxy and a proxy need not be a shareholder.

A proxy form is forwarded with this notice. Proxies must be received by the Company Accountant at least 48 hours before the meeting.

DIRECTORS' REPORT

Your Directors present their Report and 2016 Financial Statements.

Principal Activities

The group's principal activities during the year were:

- The operation of an Export Food Processing Facility at Morton Mains and Gore
- The marketing of products produced
- The selling of products produced

Results and Distributions

Group Net Profit After Taxation	(1,956,917)
Movement in Cash Flow Hedge Reserve	411,748
Net Comprehensive Income	(1,545,169)
Increase/(Decrease) In Group Equity	(1,545,169)

Directors

P J Carnahan & G J Cooney retire by rotation.

P J Carnahan & G J Cooney offers themselves for re-election.

Auditor

In accordance with the provisions of Section 207T of the Companies Act 1993, the auditors, Deloitte, continues in office.

This Annual Report has been prepared in accordance with Section 211 of the Companies Act 1993 and is signed on behalf of the Board by:

G J Cooney	P J Carnahan
Director	Director

8th June 2016

It is disappointing to record a loss for Blue Sky Meats (NZ) Ltd for the year ending 31 March 2016. It brings a challenging, difficult and frustrating year to a close. The Company's facilities continue to be under-utilised. In addition the Gore plant ran at a loss, which is the primary reason for the deficit recorded in these accounts. The inability to make a profit from the beef plant was partly bad luck. The fall in dairy prices led to a large cow kill at calving time. This was unusual and could not be predicted. The planned capital expansion at Gore was in full swing at a time when cattle are not normally being processed and the plant was therefore closed. The Company was therefore not in a position to take advantage of the stock availability. This in turn led to a change in stock processing patterns through the remainder of the season.

In the year ending 31 March 2016, Blue Sky Meats (NZ) Ltd has recorded an after tax loss of $1,956,917.

The Company made an investment in beef processing facilities in December 2014. The subsequent capital expenditure programme has been well signalled. The total investment was primarily in response to those suppliers who have said that Blue Sky Meats cannot cater for all their needs. The Board and senior management are still waiting to see the results in the Company's sheep, cattle and venison throughput. The next 12 months will be telling.

Having identified the beef plant as the culprit for the Company's loss it must be acknowledged that the sheep plant did not contribute to profitability. As mentioned above the facilities are under-utilised. The continual challenge to provide sufficient space for loyal suppliers at peak times but be profitable over a 12 month period has a significant cost attached to it. In addition the company added to its cost structure by paying cartage and third party procurement costs, where applicable, on behalf of suppliers. These costs were not fully recovered. This model is a flawed one in that it leads to the wrong industry decision making but it is accepted that it is the environment that the Company works in.

With some notable short term exceptions, prices paid to suppliers were generally supported by the market prices for the Company's products.

Trading Results

The Company's trading results are summarised as follows:

	2016	2015
Revenue (including interest)	$123,977,509	$102,141,015
Expenses	$126,687,770	$100,403,469
Net Surplus (Deficit) before Tax	$(2,710,261)	$1,737,546
Tax Expense (Benefit)	$(753,344)	$497,915
Net Surplus (Deficit) after Tax	$(1,956,917)	$1,239,630
Net Cash Flow from Operating Activities	$10,030,812	$(5,269,712)

Dividend

The directors are recommending that no dividend be paid for this year. Obviously this reflects the lack of profitability and is the only responsible decision that could be made. It is the director's task to maximise returns to all shareholders. Clearly that has not happened in the year being reported on. That must, and will, change.

Shareholding

In relation to maximising shareholder returns, recent annual reports have included comment about potential interest in share sales. Some of that interest has been in the public domain. Despite some continuing interest in the Company’s shares from potential buyers there has been no share sale of any significance since the last annual report. The directors have a responsibility to remain aware of industry interest in ownership matters but can confirm that their major focus is on the operating environment and ongoing profitability. It is critical that shareholders, staff, suppliers and customers have a forward looking company vision that concentrates on profitability.

Staff

In December, the Company’s General Manager, Ricky Larsen, resigned in order to pursue other interests. Ricky had been General Manager since 2007 and had overseen some critical developments in his time at Blue Sky Meats and has been a respected staff member. The Board understands Ricky’s wishes and offer him and his family every success in their future endeavours.

Board member and past General Manager, Malcolm McMillan, stepped into the role in an acting capacity until a permanent replacement for Ricky is appointed. Blue Sky Meats was particularly fortunate to have someone with Malcolm’s experience, both within the meat industry in general, and within the company in particular, to quickly take up this position.

At the time this report is written the search for a CEO continues. The appointment is a critical step in the vision mentioned above. The ideal candidate should have strategic as well as operational skills.

The Board would like to thank all staff for their efforts during the year. There would have been natural apprehension by some around the General Manager situation but staff have responded in a mature and professional way.

Procurement

The Company must utilise its facilities at both plants more fully than it is presently doing. The first steps have been taken to achieve this with new experienced appointments in key procurement positions. Having filled those positions, there are no magic answers. Relationships are the key to this area and it is acknowledged that the company could have done better in recent years. This will be rectified.

The Blue Sky Meats contract system is a key difference from alternative options. Over many years it has been clearly the best way of guaranteeing space for farmers at peak demand times. It allows both farmers and the Company to plan ahead and the often quoted concern regarding this being a smaller plant is not relevant. Blue Sky Meats simply tailors the contract acceptances to the number it is able to accept on any given day and therefore the number of farmers it services.

The Company thanks its loyal supplier base for their support.

Processing

The vision involves using the facilities to their correct capacity. That means the correct processing configuration with the appropriate manning, combined with quality processing. The other key part of the Company’s strategy is using the recent investment in chilled production to its full capacity. Some significant steps have been taken in this area during the last twelve months but there is still room for improvement.

Marketing and Sales

Blue Sky Meats is fortunate with the quality of its marketing staff. They have picked up the challenge of adding beef to their sheep meat sales in a very professional way.

There are two other challenges facing a new CEO.

- Can a small company like Blue Sky Meats find more and bigger niche markets than it presently has?
- Can a small company make a better job of marketing its co products, which are a critical part of profitability? Price movements in the co products have lagged well behind meat in the Company's history. As an example, when the company started, a lamb's pelt was worth almost as much as its carcass – the difference now may be $80!

Environmental

Further capital expenditure will be necessary at both plants if Blue Sky Meats is to be the type of corporate entity that it needs to be in its community. It continues to work with the relevant authorities and independent experts to find better ways of meeting its commitments.

Health and Safety

The Board is confident that the correct steps have been taken to ensure a safe and healthy working environment. This is a critical part of the Company vision. In the next twelve months better measurement indicators will be introduced to give all parties a clearer picture of actual incidents and the trends from year to year.

Board

I am continually grateful for the experience, knowledge and integrity around the Board table. It has been particularly valuable in the testing and challenging times during the last twelve months. Having said that, the Board is in the process of considering succession planning. This will encompass diversity of skills and, where possible, gender.

G J Cooney
Chairman

8th June 2016

STATEMENT OF COMPREHENSIVE INCOME *for the Year Ended 31 March 2016*

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Revenue		123,974,771	102,132,533	121,869,892	98,669,970
Less					
Cost of Sales		115,744,571	90,442,716	113,204,265	87,366,983
Gross Profit		8,230,200	11,689,817	8,665,627	11,302,987
Interest Income		1,854	5,165	1,339	4,914
Other Income		884	3,317	884	3,317
Less Expenses					
Audit Fees	1	43,287	46,947	37,500	41,000
Depreciation	7	1,167,911	1,009,358	981,712	967,832
Directors Fees	2	240,000	240,000	240,000	240,000
Interest Expense		642,225	411,934	639,660	410,328
Operating Costs	1	8,849,776	8,252,516	7,823,539	7,821,910
Net Profit (Loss) Before Taxation		(2,710,261)	1,737,546	(1,054,561)	1,830,149
Income Tax Expense/(Benefit)	3	(753,344)	497,916	(283,847)	524,272
Net Profit (Loss) After Taxation		(1,956,917)	1,239,630	(770,715)	1,305,877
Items of Comprehensive Income that may be Reclassified subsequently to Profit or Loss (net of tax)					
Net Gain (Loss) on Cash Flow Hedges	9	411,748	(151,241)	411,748	(151,241)
Total Comprehensive Income (Loss)		$(1,545,169)	$1,088,389	$(358,968)	$1,154,635
Basic and Diluted Earnings Per Share (cents)	4	(16.98¢)	10.75¢	(6.69¢)	11.33¢

The financial statements should be read in conjunction with the notes to the financial statements on pages 12 to 34

STATEMENT OF CHANGES IN EQUITY *for the Year Ended 31 March 2016*

Group	Note	Share Capital $	Retained Earnings $	Cash Flow Hedge Reserve $	Total Equity $
Equity Balance at 31 March 2014		5,150,725	18,182,709	372,344	23,705,778
Add					
Profit (Loss) After Tax		-	1,239,630	-	1,239,630
Other Comprehensive Income		-	-	(151,241)	(151,241)
Total Comprehensive Income (Loss)		-	1,239,630	(151,241)	1,088,389
Less					
Dividend Paid	6	-	(1,152,610)	-	(1,152,610)
Equity Balance at 31 March 2015		$5,150,725	$18,269,729	$221,103	$23,641,557
Add					
Profit (Loss) After Tax		-	(1,956,917)	-	(1,956,917)
Other Comprehensive Income (Loss)		-	-	411,748	411,748
Total Comprehensive Income (Loss)		-	(1,956,917)	411,748	(1,545,169)
Less					
Dividend Paid	6	-	(576,481)	-	(576,481)
Equity Balance at 31 March 2016		$5,150,725	$15,736,331	$632,851	$21,519,907

Parent	Note	Share Capital $	Retained Earnings $	Cash Flow Hedge Reserve $	Total Equity $
Equity Balance at 31 March 2014		5,150,725	17,991,676	372,344	23,514,745
Add					
Profit (Loss) After Tax		-	1,305,877	-	1,305,877
Other Comprehensive Income		-	-	(151,241)	(151,241)
Total Comprehensive Income (Loss)		-	1,305,877	(151,241)	1,154,636
Less					
Dividend Paid	6	-	(1,152,610)	-	(1,152,610)
Equity Balance at 31 March 2015		$5,150,725	$18,144,942	$221,103	$23,516,770
Add					
Profit (Loss) After Tax		-	(770,715)	-	(770,715)
Other Comprehensive Income (Loss)		-		411,748	411,748
Total Comprehensive Income (Loss)		-	(770,715)	411,748	(358,967)
Less					
Dividend Paid	6	-	(576,481)	-	(576,481)
Equity Balance at 31 March 2016		$5,150,725	$16,797,746	$632,851	$22,581,322

The financial statements should be read in conjunction with the notes to the financial statements on pages 12 to 34

BALANCE SHEET *as at 31 March 2016*

	Note	Group 2016 $	Group 2015 $	Parent 2016 $	Parent 2015 $
Equity					
Share Capital	4	5,150,725	5,150,725	5,150,725	5,150,725
Cash Flow Hedge Reserve	5	632,851	221,103	632,851	221,103
Retained Earnings	6	15,736,331	18,269,729	16,797,746	18,144,942
Total Equity		$21,519,907	$23,641,557	$22,581,322	$23,516,770
Represented by:					
Non Current Assets					
Property, Plant and Equipment	7	14,296,831	13,605,513	11,157,632	11,906,909
Goodwill	8	3,221,574	3,221,574	1,356,890	1,356,890
Deferred Tax	9	223,130	-	-	-
Investments in Subsidiaries	10	-	-	3,186,078	3,186,078
Advances to Subsidiaries	26	-	-	3,015,830	2,477,502
Other Investments	11	5,853	5,835	5,853	5,835
		17,747,388	16,832,922	18,722,283	18,933,214
Current Assets					
Cash and Short Term Deposits	16	17,115	-	-	-
Accounts Receivable	12	16,110,135	20,188,437	16,016,205	14,120,625
Prepayments		-	90,681	-	-
Inventories	13	14,039,587	22,640,616	13,985,265	21,051,565
Livestock	14	488,509	409,861	488,509	409,861
Taxation Receivable		22	1,169	4	1,070
Derivative Financial Instruments	15	1,490,457	389,883	1,490,457	389,883
		32,145,825	43,720,647	31,980,440	35,973,004
Total Assets		49,893,213	60,553,569	50,702,723	54,906,218
Non Current Liabilities					
Deferred Tax	9	-	369,765	77,915	201,314
Borrowings	19	1,523,905	11,634	1,520,000	-
		1,523,905	381,399	1,597,915	201,314
Current Liabilities					
Bank Overdraft	16	-	352,752	187,681	743,389
Accounts Payable and Accruals	17	9,147,943	9,994,061	8,642,073	8,575,688
Income Received in Advance	18	432,808	176,389	432,808	176,389
Borrowings	19	17,268,649	26,006,973	17,260,924	21,692,668
Taxation Payable		-	439	-	-
		26,849,401	36,530,614	26,523,486	31,188,134
Total Liabilities		28,373,306	36,912,013	28,121,401	31,389,448
Net Assets as Per Total Equity		$21,519,907	$23,641,557	$22,581,322	$23,516,770

G J Cooney
Director

P J Carnahan
Director

The financial statements should be read in conjunction with the notes to the financial statements on pages 12 to 34

CASH FLOW STATEMENT *for the Year Ended 31 March 2016*

	Note	Group		Parent	
		2016	2015	2016	2015
		$	$	$	$
Cash Flows From Operating Activities					
Cash Was Provided From:					
Receipts From Customers		126,339,732	100,960,445	118,534,133	102,300,601
Interest Received		2,738	8,482	2,223	8,231
Taxation Received (Net of Payments)		1,034	-	1,394	-
Goods and Services Tax / VAT		1,441,059	-	1,167,894	-
		127,784,563	100,968,927	119,705,645	102,308,833
Cash Was Disbursed To:					
Payment to Suppliers and Employees		117,110,689	104,432,339	114,251,266	99,672,497
Interest Paid		643,063	411,002	640,497	409,398
Goods and Services Tax / VAT		-	1,394,142	-	1,122,540
Taxation Paid		-	1,156	-	1,086
		117,753,751	106,238,639	114,891,763	101,205,521
Net Cash From/(Applied to) Operating Activities	25	$10,030,812	$(5,269,712)	$4,813,882	$1,103,311
Cash Flows From Investing Activities					
Cash Was Provided From:					
Proceeds from Sale of Property Plant and Equipment		2,870	87,063	2,870	86,261
		2,870	87,063	2,870	86,261
Cash Was Applied To:					
Other Investments		18	2,495	16	2,493
Acquisition of Subsidiary	21	-	3,394,101	-	-
Investment in Subsidiaries		-	-	-	3,082,685
Advances to Subsidiaries		-	-	538,328	2,577,502
Purchase of Property Plant and Equipment		1,862,100	1,545,484	235,307	1,529,304
		1,862,118	4,942,080	773,651	7,191,984
Net Cash From/(Applied to) Investing Activities		$(1,859,248)	$(4,855,017)	$(770,781)	$(7,105,723)
Cash Flows From Financing Activities					
Cash Was Provided From:					
Borrowings		3,000,000	11,123,373	-	6,820,985
		3,000,000	11,123,373	-	6,820,985
Cash Was Applied To:					
Dividends Paid		576,481	1,152,610	576,481	1,152,610
Borrowings		10,225,216	-	2,910,912	-
		10,801,697	1,152,610	3,487,393	1,152,610
Net Cash From/(Applied to) Financing Activities		$(7,801,697)	$9,970,763	$(3,487,393)	$5,668,375
Net Increase/(Decrease) in Cash Held		369,867	(153,963)	555,708	(334,037)
Add Opening Cash and Short Term Deposits/(Bank Overdraft)		(352,752)	(198,788)	(743,389)	(409,352)
Ending Cash and Short Term Deposits/(Bank Overdraft)		$17,115	$(352,752)	$(187,681)	$(743,389)
Represented by:					
Cash and Short Term Deposits/(Bank Overdraft)		17,115	(352,752)	(187,681)	(743,389)
		$17,115	$(352,752)	$(187,681)	$(743,389)

The financial statements should be read in conjunction with the notes to the financial statements on pages 12 to 34

Statement of Accounting Policies

Reporting Entity

Blue Sky Meats (NZ) Limited (the "Company") is an unlisted company incorporated and domiciled in New Zealand and registered under the Companies Act 1993.

The Group consists of Blue Sky Meats (NZ) Limited, and its subsidiaries, Horizon Meats New Zealand Limited, Blue Sky Meats (UK) Limited and Blue Sky Meats (Gore) Ltd.

Statutory Base

Blue Sky Meats (NZ) Limited is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of Blue Sky Meats (NZ) Limited have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit oriented entities. The financial statements comply with International Financial Reporting Standards.

Basis for Preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of livestock and certain financial assets and liabilities (including derivative instruments). The reporting currency is New Zealand dollars.

Critical Accounting Estimates and Judgements

The preparation of Financial Statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Inventory Valuation

Inventory is recognised at the lower of cost and net realisable value. To determine cost, inventories are valued using the discounted selling price method. This method uses the last sales price, or committed sales price, and converts these factors back to New Zealand dollars, less expenses incurred to bring the inventory to a saleable location. A margin is deducted from inventory where applicable to determine cost.

Estimate of Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical information. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Specific Accounting Policies

The following are specific accounting policies which materially affect the measurement of balances in the financial statements.

a. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when 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 its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

b. Property Plant and Equipment

All property plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

c. Depreciation

Depreciation of fixed assets has been provided for using rates which will write off the cost of the assets over their expected useful lives.

	Useful Life	Depreciation Method
Buildings	10 - 50 years	Diminishing Value and Straight-line
Plant and Equipment	2 - 10 years	Diminishing Value
Furniture	5 - 8 years	Diminishing Value
Vehicles	3 - 5 years	Diminishing Value

d. Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, are recognised and measured in accordance with NZ IAS 12 *Income Taxes.*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

e. Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset at the date control is acquired. Goodwill is measured as the sum of the consideration transferred in excess of the fair value of the identifiable net assets recognised. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Any impairment loss is recognised immediately in profit and loss and is not reversed in a subsequent period.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

f. Accounts Receivable

Accounts receivable that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is expensed in the profit or loss.

g. Inventories

Inventory is recognised at the lower of cost and net realisable value. To determine cost, inventories are valued using the discounted selling price method. This method uses the last sales price, or committed sales price, and converts these factors back to New Zealand dollars, less expenses incurred to bring the inventory to a saleable location. A margin is deducted from inventory where applicable to determine cost.

h. Livestock

Livestock is valued at fair value, less any point of sale costs. Fair value is determined by reference to market-based evidence, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Point of sale costs include any necessary costs to dispose of livestock, excluding costs incurred to get the livestock to market.

Resulting gains or losses on livestock valuation are recognised in profit or loss.

i. Accounts Payable

Accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Accounts payable are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

j. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit or loss over the period of the borrowing using the effective interest method.

k. Income Tax

The income tax expense or income for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted by the balance sheet date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Also, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences within such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they expect to reverse in the foreseeable future.

Deferred tax attributable to amounts recognised directly in other comprehensive income are also recognised directly in other comprehensive income.

Current tax assets and liabilities and deferred tax assets and liabilities of individual entities are reported separately in the consolidated financial statements unless the entities have a legally enforceable right to make or receive a single net payment of tax and the entities intend to make or receive such a net payment or to recover the current tax asset or settle the current tax liability simultaneously.

l. Derivative Financial Instruments and Hedging Activities

Derivatives are recognised at fair value. The method of recognising the subsequent gain or loss depends on whether the derivative is designated as a hedging instrument. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents their assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in movements in the cash flow hedge reserve in shareholders' equity.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated as a separate component of equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss.

Amounts recognised in the hedge reserve are reclassified from equity to profit or loss (revenue) in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example Inventory) or a non-financial liability, the gains and losses previously deferred in equity are reclassified from equity and included in the measurement of the initial cost of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

Derivatives that do not qualify for hedge accounting

When certain derivative instruments do not qualify for hedge accounting or hedge accounting has not been adopted, changes in the fair value of these derivative instruments are recognised immediately in profit or loss.

m. Foreign Currencies

Both the functional and presentation currency of the Group and Company is New Zealand dollars ($).

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities are translated at the closing rate.

Exchange variations arising from these translations are included in the profit or loss.

n. Cash Flow Statement

The Cash Flow Statement is prepared exclusive of GST, which is consistent with the method used in the Statement of Comprehensive Income.

Definitions of the terms used in the Cash Flow Statement:

"Cash" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings, such as bank overdrafts used by the Company and the Group as part of their day-to-day cash management.

"Operating activities" include all principal revenue-producing activities of the Company and Group and other activities that are not investing or financing activities.

"Investing Activities" are the activities relating to the acquisition and disposal of long term assets and other investments not included in cash equivalents that have been made to generate future cash flows.

"Financing Activities" are those activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

o. Impairment of Non-Financial Assets Excluding Goodwill

Property, plant and equipment and other non-financial assets are assessed for indicators of impairment at each reporting date. They are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Assets for which an impairment has previously been recorded are tested for possible reversal of the impairment when events or changes in circumstances indicate that impairment may have reversed.

p. Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised separately in current liabilities in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable

The provision for sick leave, being an accumulating compensating absence, is recognised based on the expectation the Company will pay sick leave as a result of the unused entitlement that has accumulated at the balance sheet date.

q. Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent by the weighted average number of ordinary shares in issue during the year.

r. Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sale of Goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount.

s. Leases

Rental payable under operating leases are charged to the profit or loss on a straight line basis over the term of the relevant lease.

t. Operating Segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

u. Adoption of New and Revised Standards and Interpretations

In the current year there have been no material changes arising from changes to NZ standards and interpretations that have impacted these financial statements.

v. Standards and Interpretations in Issue Not Yet Adopted

At year end date, a number of Standards and Interpretations were in issue but not yet effective.

The Standards most likely to have an impact on the Group financial statements are:

NZ IFRS 9 Financial Instruments: This standard addresses the requirements for classification and measurement of financial assets and liabilities, impairment methodology and hedge accounting.

NZ IFRS 15 Revenue from Contracts with Customers: The Standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

NZ IFRS 16 Leases: This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The Standards noted above have an effective date of 1 January 2018, except for NZ IFRS 16 (which has an effective date of January 2019). Management have not yet assessed the impact of these Standards on the Group financial statements.

1 Net Profit (Loss) Before Tax

The following are included in the profit or loss:

	Group		Parent	
	2016	2015	2016	2015
Auditors' Remuneration				
Audit Fees are payable or due and payable to the auditors of the group as follows:				
- Parent Company Auditor	37,500	41,000	37,500	41,000
- Other Auditors of the Group	5,787	5,947	-	-
Total Audit Fees	43,287	46,947	37,500	41,000
- Taxation Fees Paid to Auditor	-	3,943	-	3,943
	$43,287	$50,890	$37,500	$44,943

The Auditor of the Group is Deloitte.

	Group 2016	Group 2015	Parent 2016	Parent 2015
Operating Lease Costs				
Total operating costs include operating lease costs of:	172,597	189,153	172,597	172,597
(Gain)/Loss on Sale				
Total operating costs include losses on sale of property plant and equipment of:	94	48,152	94	48,152
Total operating costs include profits on sale of property plant and equipment of:	839	1,374	839	-
Bad Debts	9,803	-	9,803	-
Employee Benefits Expenses	19,988,958	17,516,518	18,402,452	16,990,207
Kiwisaver and Superannuation	417,683	336,740	379,043	325,648
Net Foreign Exchange (Gain) / Loss	855,120	211,474	855,120	211,474
Revaluation Gain (Loss) - Livestock	-	(26,786)	-	(26,786)

2 Key Management Personnel

The compensation of the Directors and executives, being the key management personnel of the entity, is set out below:

	Group		Parent	
	2016	2015	2016	2015
Short Term Employee Benefits	889,840	828,339	889,840	828,339
Other (Directors Fees)	240,000	240,000	240,000	240,000
	$1,129,840	$1,068,339	$1,129,840	$1,068,339

3 Taxation

	Group		Parent	
	2016	2015	2016	2015
Profit (Loss) Before Taxation	(2,710,261)	1,737,546	(1,054,561)	1,830,149
Prima Facie Taxation at 28%	(758,874)	486,514	(295,279)	512,442
Non Deductible Expenses/(Assessable Income)	11,459	11,930	11,431	11,830
Tax on Foreign Income Due to Different Tax Rates	(5,929)	(528)	-	-
Total Adjustments	5,530	11,402	11,431	11,830
Taxation Expense (Benefit) For Year	$(753,344)	$497,916	$(283,847)	$524,272
The Taxation Charge is Represented By:				
Deferred Taxation	(753,021)	497,461	(283,521)	524,256
Current Taxation	(323)	455	(326)	16
	(753,344)	497,916	(283,847)	524,272

	Group	
Imputation Credit Account	2016	2015
Imputation credits available directly and indirectly to shareholders of the Group and Parent through:		
Parent	4,331,816	4,556,974
Subsidiaries	17	98
	$4,331,833	$4,557,072

4 Share Capital - Parent and Group

	2016		2015	
	Number	Value $	Number	Value $
Balance at Beginning of Year	11,526,098	5,150,725	11,526,098	5,150,725
Total Shares on Issue at End of Year	11,526,098	$5,150,725	11,526,098	$5,150,725

All shares are fully paid and have equal voting rights and share equally in dividends and surplus on winding up.

Group

Basic and diluted earnings per share is calculated using net profit (loss) after tax of ($1,956,917) (2015: $1,239,630) and weighted average number of ordinary shares issued of 11,526,098.

Parent

Basic and diluted earnings per share is calculated using net profit (loss) after tax of ($770,715) (2015: $1,305,877) and weighted average number of ordinary shares issued of 11,526,098.

5 Cash Flow Hedge Reserve

	Group		Parent	
	2016	2015	2016	2015
Balance at Beginning of Year	221,103	372,344	221,103	372,344
Gains/(loss) Recognised on Cash Flow Hedges				
Forward Foreign Exchange Contracts	878,960	307,087	878,960	307,087
Transfer to Profit or Loss	(307,087)	(517,144)	(307,087)	(517,144)
	571,874	(210,057)	571,874	(210,057)
Income Tax Related to Gains/Losses Recognised in Other Comprehensive Income	(160,126)	58,816	(160,126)	58,816
Balance at End of Year	$632,851	$221,103	$632,851	$221,103

The cash flow hedge reserve represents gains/losses net of tax recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the profit or loss when the hedged transaction impacts the profit or loss.

6 Retained Earnings

	Group		Parent	
	2016	2015	2016	2015
Balance at Beginning of Year	18,269,729	18,182,709	18,144,942	17,991,676
Plus				
Net Profit (Loss) After Tax	(1,956,917)	1,239,630	(770,714)	1,305,876
	16,312,812	19,422,339	17,374,228	19,297,552
Less Distributions				
Dividend Paid (2016: 5 cents per share) (2015: 10 cents per share)	576,481	1,152,610	576,481	1,152,610
Balance at End of Year	$15,736,331	$18,269,729	$16,797,746	$18,144,942

7 Property, Plant and Equipment

2016 Group	Cost 1 April 2015 $	Additions $	Disposals $	Cost 31 March 2016 $	Accumulated Depreciation 1 April 2015 $	Depreciation $	Disposals $	Accumulated Depreciation 31 March 2016 $	Net Book Value 31 March 2016 $
Freehold Land and Land Improvements	3,448,283	3,425	-	3,451,708	111,786	12,930	-	124,716	3,326,992
Buildings	9,435,038	1,162,214	-	10,597,252	5,050,116	258,025	-	5,308,141	5,289,111
Plant and Equipment	13,813,786	572,925	17,206	14,369,505	8,243,202	796,334	18,828	9,020,708	5,348,797
Furniture	67,666	43,373	-	111,039	40,160	25,760	-	65,920	45,119
Vehicles	702,261	79,418	6,710	774,969	416,257	74,862	2,962	488,157	286,812
	$27,467,034	$1,861,355	$23,916	$29,304,473	$13,861,521	$1,167,911	$21,790	$15,007,642	$14,296,831

2015 Group	Cost 1 April 2014 $	Additions $	Disposals $	Cost 31 March 2015 $	Accumulated Depreciation 1 April 2014 $	Depreciation $	Disposals $	Accumulated Depreciation 31 March 2015 $	Net Book Value 31 March 2015 $
Freehold Land and Land Improvements	3,448,283	-	-	3,448,283	97,630	14,156	-	111,786	3,336,497
Buildings	8,268,734	1,166,304	-	9,435,038	4,822,428	227,688	-	5,050,116	4,384,922
Plant and Equipment	12,097,294	1,929,561	213,069	13,813,786	7,629,937	696,324	83,059	8,243,202	5,570,584
Furniture	53,746	13,920	-	67,666	34,723	5,437	-	40,160	27,506
Vehicles	572,479	160,449	30,667	702,261	375,965	65,753	25,461	416,257	286,004
	$24,440,536	$3,270,234	$243,736	$27,467,034	$12,960,683	$1,009,358	$108,520	$13,861,521	$13,605,513

Included in the 2015 Group Additions at 31 March 2015 is $1,724,749 relating to the fixed assets at fair value on acquisition of Blue Sky Meats (Gore) Ltd (previously Clover Export Ltd). Refer to Note 21.

7 Property, Plant and Equipment *continued*

2016 Parent	Cost 1 April 2015 $	Additions $	Disposals $	Cost 31 March 2016 $	Accumulated Depreciation 1 April 2015 $	Depreciation $	Disposals $	Accumulated Depreciation 31 March 2016 $	Net Book Value 31 March 2016 $
Freehold Land and Land Improvements	3,448,283	3,425	-	3,451,708	111,786	12,930	-	124,716	3,326,992
Buildings	8,322,290	-	-	8,322,290	5,035,523	209,332	-	5,244,855	3,077,435
Plant and Equipment	13,249,979	151,718	17,206	13,384,491	8,220,071	695,371	18,828	8,896,614	4,487,877
Furniture	59,057	-	-	59,057	39,200	3,700	-	42,900	16,157
Vehicles	649,605	79,416	6,710	722,311	415,725	60,379	2,964	473,140	249,171
	$25,729,214	$234,559	$23,916	$25,939,857	$13,822,305	$981,712	$21,792	$14,782,225	$11,157,632

2015 Parent	Cost 1 April 2014 $	Additions $	Disposals $	Cost 31 March 2015 $	Accumulated Depreciation 1 April 2014 $	Depreciation $	Disposals $	Accumulated Depreciation 31 March 2015 $	Net Book Value 31 March 2015 $
Freehold Land and Land Improvements	3,448,283	-	-	3,448,283	97,630	14,156	-	111,786	3,336,497
Buildings	8,268,734	53,556	-	8,322,290	4,822,428	213,095	-	5,035,523	3,286,767
Plant and Equipment	12,097,294	1,365,755	213,069	13,249,980	7,629,937	673,194	83,059	8,220,071	5,029,908
Furniture	53,746	5,311	-	59,057	34,723	4,477	-	39,200	19,857
Vehicles	572,479	104,682	27,556	649,605	375,965	62,910	23,150	415,725	233,880
	$24,440,536	$1,529,304	$240,625	$25,729,215	$12,960,683	$967,832	$106,209	$13,822,305	$11,906,909

8 Goodwill

	Group		Parent	
	2016	2015	2016	2015
Balance at Beginning of Year	3,221,574	1,356,890	1,356,890	1,356,890
Additional amounts recognised from business combinations occurring	-	1,864,684	-	-
(Refer to Note 21)	$3,221,574	$3,221,574	$1,356,890	$1,356,890

Management have assessed that goodwill is allocated to one cash generating unit (CGU) being the whole Group

The Parent goodwill arose from the historic acquisition of a company in 2002 which had previously performed marketing activities associated with the selling and shipping of Blue Sky Meats products. Additional goodwill arose in the Group during the 2015 year upon acquisition of Clover Export Ltd, now Blue Sky Meats (Gore) Ltd. Refer to Note 21.

If the carrying amount of the CGU exceeds the recoverable amount, an impairment loss is recognised for the difference. In this case, the CGU goodwill would first be written down. Any remaining impairment would be allocated on a pro rata basis to the assets of the segment to the carrying amount of the assets on the balance sheet date.

During the year ended 31 March 2016 management have determined that there is no impairment of the CGU that contained goodwill.

The recoverable amount (i.e. higher of value in use and fair values less costs to sell) of the CGU is determined on the basis of the value in use calculation.

The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five year period. Annual growth rates of 3% (2015: 2%) and pre-tax discount rates of 15% (2015: 15%) have been applied to these projections based on past experience. Cash flows beyond the five year period have been extrapolated using a steady 3% (2015: 2%) growth rate based on past experience. Management also believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the cash generating unit to exceed its recoverable amount.

9 Deferred Tax Asset (Liability)

2016 Group	Opening Balance	Arising on Acquisition	Charged To Profit Or Loss	Charged To Other Comprehensive Income	Closing Balance
Derivative Financial Instruments	(85,984)	-	-	(160,126)	(246,110)
Accounts Payable and Accruals	327,914	-	(72,126)	-	255,788
Livestock Revaluations	(7,500)	-	7,500	-	-
Property, Plant and Equipment	(880,956)	-	54,467	-	(826,490)
Tax Losses	276,762	-	763,180	-	1,039,942
	$(369,765)	-	$753,021	$(160,126)	$223,130

2015 Group	Opening Balance	Arising on Acquisition	Charged To Profit Or Loss	Charged To Other Comprehensive Income	Closing Balance
Derivative Financial Instruments	(144,800)	-	-	58,816	(85,984)
Accounts Payable and Accruals	292,396	-	35,518	-	327,914
Livestock Revaluations	(11,946)	-	4,446	-	(7,500)
Property, Plant and Equipment	(732,133)	(195,246)	46,423	-	(880,956)
Tax Losses	860,610	-	(583,848)	-	276,762
	$264,128	$(195,246)	$(497,461)	$58,816	$(369,765)

2016 Parent	Opening Balance	Arising on Acquisition	Charged To Profit Or Loss	Charged To Other Comprehensive Income	Closing Balance
Derivative Financial Instruments	(85,984)	-	-	(160,126)	(246,108)
Accounts Payable and Accruals	318,217	-	(81,171)	-	237,046
Livestock Revaluations	(7,500)	-	7,500	-	-
Property, Plant and Equipment	(689,702)	-	43,254	-	(646,448)
Tax Losses	263,656	-	313,938	-	577,594
	$(201,312)	-	$283,521	$(160,126)	$(77,915)

2015 Parent	Opening Balance	Arising on Acquisition	Charged To Profit Or Loss	Charged To Other Comprehensive Income	Closing Balance
Derivative Financial Instruments	(144,800)	-	-	58,816	(85,984)
Accounts Payable and Accruals	292,396	-	25,821	-	318,217
Livestock Revaluations	(11,946)	-	4,446	-	(7,500)
Property, Plant and Equipment	(732,133)	-	42,431	-	(689,702)
Tax Losses	860,610	-	(596,954)	-	263,656
	$264,128	-	$(524,256)	$58,816	$(201,314)

Income Tax Effects Relating to Each Component of Other Comprehensive Income:

2016 Group	Before Tax Amount	Tax Benefit/ (Expense)	Net of Tax Amount
Cash Flow Hedges	571,874	(160,126)	411,748
	$571,874	$(160,126)	$411,748
2015 Group			
Cash Flow Hedges	(210,057)	58,816	(151,241)
	$(210,057)	$58,816	$(151,241)
2016 Parent			
Cash Flow Hedges	571,874	(160,126)	411,748
	$571,874	$(160,126)	$411,748
2015 Parent			
Cash Flow Hedges	(210,057)	58,816	(151,241)
	$(210,057)	$58,816	$(151,241)

10 Investments in Subsidiaries

	Country of Incorporation	Parent	
		2016	2015
Shares in Horizon Meats New Zealand Limited (Non-Trading)	New Zealand	100,000	100,000
Shares in Blue Sky Meats (UK) Limited	United Kingdom	3,393	3,393
Shares in Blue Sky Meats (Gore) Limited	New Zealand	3,082,685	3,082,685
		$3,186,078	$3,186,078

	Percentage Held		Balance Date
	2016	2015	
Horizon Meats New Zealand Limited	100%	100%	31 March
Blue Sky Meats (UK) Limited	100%	100%	31 March
Blue Sky Meats (Gore) Limited	100%	100%	31 March

The principal activity of Blue Sky Meats (UK) Limited is the sale of products in the UK for Blue Sky Meats (NZ) Limited.

The principal activity of Blue Sky Meats (Gore) Limited is to be a multi-species processor of all animals, primarily the ability to process cattle and deer.

11 Other Investments

	Group		Parent	
	2016	2015	2016	2015
Shares in Ovine Automation Limited	430	430	430	430
Shares in Ballance Agri-Nutrients Limited	5,146	5,146	5,146	5,146
Shares in Farmlands Co-operative Society Limited	277	259	277	259
	$5,853	$5,835	$5,853	$5,835

12 Accounts Receivable

	Group		Parent	
	2016	2015	2016	2015
At Amortised Cost:				
Trade Debtors	14,774,490	17,411,733	14,678,997	11,615,523
VAT	283	234	-	-
Goods and Services Tax	1,335,362	2,776,470	1,337,208	2,505,102
	$16,110,135	$20,188,437	$16,016,205	$14,120,625

The average credit period on accounts receivable is 30 days. No interest is charged on accounts receivable.

a) Analysis Of Past Due But Not Impaired Assets:				
30 – 60 days	3,425,758	1,061,799	2,053,821	988,627
60 – 90 days	530,323	122,878	122,398	122,878
90 days +	779	1,770	779	1,770
	$3,956,860	$1,186,447	$2,176,998	$1,113,276

13 Inventories

	Group		Parent	
	2016	2015	2016	2015
Packaging Materials	555,980	656,662	501,658	656,662
Finished Goods	13,483,607	21,983,954	13,483,607	20,394,904
	$14,039,587	$22,640,616	$13,985,265	$21,051,565

Included in the carrying value of finished goods above is the write down of any carrying value of stock to net realisable value.

The amount expensed in Cost of Sales for the write down of Finished Goods at year end was $Nil (2015: $Nil) for the Parent and Group.

14 Livestock

	Group		Parent	
	2016	2015	2016	2015
Opening Balance	409,861	859,369	409,861	859,369
Purchases	6,246,955	10,180,291	6,246,955	10,180,291
Livestock Processed	(6,168,307)	(10,603,013)	(6,168,307)	(10,603,013)
Changes in Livestock Fair Value Less Estimated Selling Cost	-	(26,786)	-	(26,786)
	$488,509	$409,861	$488,509	$409,861

The fair value of livestock is classified as Level 2 according to the classification hierarchy outlined in NZ IFRS 13: Fair Value Measurement. The Fair Value has been determined using observable market sales data.

The Livestock asset consists of lambs and sheep, which the Group purchases for the following purposes:

Lamb Finishing

Lambs are purchased from breeders and are placed with finishers until they reach optimal weights. Finishers are paid on a live weight gain basis as livestock is delivered within specification for processing.

Other

Additional lambs and sheep are farmed on land owned or leased by the Group adjacent to processing facilities.

As at the end of the year 5,906 (2015: 5,250) head of livestock were held.

15 Derivative Financial Instruments

	Group		Parent	
	2016	2015	2016	2015
At Fair Value:				
Foreign Exchange Contracts				
Derivatives Designated as Effective Hedging Instruments	878,959	307,088	878,959	307,088
Held For Trading Derivatives Not Designated as Hedging Instruments	611,498	82,795	611,498	82,795
	$1,490,457	$389,883	$1,490,457	$389,883

Derivatives are not held for speculative purposes.

16 Bank Overdraft

The bank overdrafts are secured by a first mortgage and first charge debentures over the assets and undertakings of the Group.

Interest is charged at a floating rate based on the Westpac Prime Lending Rate plus a 1.5% margin (refer Note 19).

17 Accounts Payable and Accruals

	Group		Parent	
	2016	2015	2016	2015
Trade Creditors and Accruals	7,344,392	8,196,294	7,014,955	6,903,297
Employee Entitlements	1,803,551	1,797,767	1,627,118	1,672,391
	$9,147,943	$9,994,061	$8,642,073	$8,575,688

The average credit period of a trade creditor is 29 days.

18 Income Received in Advance

For some overseas customers, income has been received in advance, before product is shipped.

	Group		Parent	
	2016	2015	2016	2015
Income Received in Advance	432,808	176,389	432,808	176,389
	$432,808	$176,389	$432,808	$176,389

19 Borrowings

	Group		Parent	
	2016	2015	2016	2015
At Amortised Cost:				
Current:				
Bank Borrowings	12,701,421	16,002,258	12,701,425	16,002,258
Discounted Bills	3,819,499	9,995,555	3,819,499	5,690,410
Wholesale Term Loan	740,000	-	740,000	-
Trade Finance Loans	7,729	9,160	-	-
	$17,268,649	$26,006,973	$17,260,924	$21,692,668
Non Current:				
Wholesale Term Loan	1,520,000	-	1,520,000	-
Trade Finance Loans	3,905	11,634	-	-
	$1,523,905	$11,634	$1,520,000	-

Bank Borrowings, Discounted Bills and Trade Finance Loans are secured by a first charge mortgage and first charge debenture over the assets and undertakings of the Group. The bank borrowings facility has an expiry date of 31 August 2016. Management will review its bank funding requirements for the 2016 / 2017 processing season in late November based on anticipated schedule prices and other known revenue and cost drivers. Revised budgets will be prepared in conjunction with bank discussions for finalising seasonal funding.

Interest on the bank borrowings as at the 31 March 2016 was 3.90% (2015: 5.15%). Interest is charged at a floating rate based on the Westpac Prime Lending Rate plus a 1.5% margin.

Interest on discounted bills as at 31 March 2016 was charged at interest rates between 1.82% - 2.62% (2015: 2.27% - 6.47%).

The Wholesale Term Loan drawn down in April 2015 to purchase Clover Export Ltd is secured by a General Security Agreement over its present and acquired property.

There are also cross guarantees between the Parent company and all of its subsidiaries for the Wholesale Term Loan.

Interest on the Wholesale Term Loan as at the 31 March 2016 was 4.8% (2015: Nil). Interest is charged at Westpac's 90 day bank bill rate plus a 2% margin.

20 Commitments and Contingent Liabilities

a) There is a cross guarantee in relation to debt and interest among the Group Companies, Horizon Meats New Zealand Limited, Blue Sky Meats (UK) Limited, Blue Sky Meats (Gore) Limited and Blue Sky Meats (NZ) Limited. The Parent Company guarantees the trade finance and discounted bills of the subsidiaries. As at 31 March 2016 these totalled $Nil (2015: $4,305,144).

b) Estimated capital expenditure contracted for at balance date but not provided for amounted to $Nil (2015: $Nil).

21 Acquisition of Subsidiaries and Businesses

a) Subsidiaries and Business Acquired

Name	Principal Activity	Date of acquisition	Shares acquired	Cost
Blue Sky Meats (Gore) Ltd (formerly Clover Export Ltd)	Meat Processor	8 December 2014	100%	3,082,685

b) Analysis of Assets and Liabilities Acquired

	Book Value	Fair Value Adjustment	Fair value on Acquisition
Assets and Liabilities			
Cash and Bank Balances	(311,416)	-	(311,416)
Trade and other receivables	392,353	-	392,353
Inventories	554,548	105,813	660,361
Plant and Equipment	1,632,662	92,087	1,724,749
Trade and Other Payables	(1,029,250)	-	(1,029,250)
Deferred Tax Liability	(195,246)	-	(195,246)
Borrowings	(23,550)	-	(23,550)
Total Assets and Liabilities	1,020,101	197,900	1,218,001
Goodwill on Acquisition			1,864,684
Cost of Acquisition			$3,082,685

c) Cost of Acquisition

Cash	$3,082,685

d) Net Cash Outflow on Acquisition

Total Purchase Consideration paid in Cash	3,082,685
Plus Bank Overdraft	311,416
Net Cash Outflow on Acquisition	$3,394,101

e) Goodwill Arising on Acquisition

The consideration paid for the acquisition of Clover Export Ltd included amounts in relation to the benefit of expected synergies, revenue growth, and marketing opportunities. These benefits are not recognised separately from goodwill as the future economic benefits arising from this cannot be reliably measured and they do not meet the definition of identifiable intangible assets.

f) Impact of Acquisition on the Results of the Group in 2015

Included in the 31 March 2015 Group financial statements is revenue of $3,353,297 and a net loss after tax of $96,055 attributed to Clover Export Ltd for the period of ownership.

Had this acquisition been effected at 1 April 2014, the revenue contribution to the Group from continuing operations would have been approx $5,200,000 higher and the profit for the year after taxation from continuing operations would have been approx $500,000 higher. This amount reflects budgeted performance and removes the impact of seasonality included in the December to March 2015 actual results.

The Directors of the Group consider these pro forma numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

22 Operating Lease Commitments

Lease Commitments Under Non-Cancellable Operating Leases:

	Group		Parent	
	2016	2015	2016	2015
Not Later Than One Year	140,197	229,308	140,197	172,597
Later Than One Year and Not Later Than Two Years	-	97,200	-	97,200
	$140,197	$326,508	$140,197	$269,797

These commitments include the lease of an Auckland office with a lease term of four years, with an option to extend for a further four years. This lease contract contains market review clauses in the event that the Group exercises its options to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

23 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to the risks and returns that are different to those of other business segments.

NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segment and to assess its performance.

The Group considered carefully the nature of its internal reports about the components of the Group and concluded that the Group is internally reported as a single segment to the chief decision maker.

a) Geographical Information:

	2016 Group				
NZ$000	New Zealand	Asia/ Pacific	UK/ Europe	Other Foreign	Group
External Revenue	36,042	37,716	40,766	9,451	123,975
	$36,042	$37,716	$40,766	$9,451	$123,975

	2015 Group				
NZ$000	New Zealand	Asia/ Pacific	UK/ Europe	Other Foreign	Group
External Revenue	16,277	38,337	36,095	11,423	102,133
	$16,277	$38,337	$36,095	$11,423	$102,133

The Group does not hold non-current assets in any foreign country.

b) Information About Major Customers:

The Group has no customers which individually account for greater than 10% of sales revenue (2015: None).

24 Financial Instruments

a) Financial Risk Management Objectives

Specific risk management objectives and policies are set out below.

b) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity.

c) Interest Rate Risk and Liquidity Management

The Group is exposed to interest rate risk as it borrows funds at floating rates of interest.

The following table details the Group's exposure to interest rate risk on financial instruments. It also analyses the Group's financial assets and financial liabilities into relevant maturity groupings based on undiscounted contractual maturity date.

2016 Group	Weighted Average Effective Interest Rate	Less than 1 Year $000	1 - 3 Years $000	3 - 5 Years $000	5+ Years $000	Total $000
Financial Assets:						
Accounts Receivable		14,775	-	-	-	14,775
Derivative Financial Instruments		1,490	-	-	-	1,490
Financial Liabilities:						
Accounts Payable and Accruals		(9,148)	-	-	-	(9,148)
Bank Overdraft	10.20%	-	-	-	-	-
Borrowings	1.82%-15.87%	(18,928)	(1,524)	-	-	(20,452)
		$(11,811)	$(1,524)	-	-	$(13,335)

2015 Group	Weighted Average Effective Interest Rate	Less than 1 Year $000	1 - 3 Years $000	3 - 5 Years $000	5+ Years $000	Total $000
Financial Assets:						
Accounts Receivable		17,412	-	-	-	17,412
Derivative Financial Instruments		390	-	-	-	390
Financial Liabilities:						
Accounts Payable and Accruals		(9,994)	-	-	-	(9,994)
Bank Overdraft	10.95%	(353)	-	-	-	(353)
Borrowings	2.27%-15.87%	(26,156)	(12)	-	-	(26,168)
		$(18,701)	$(12)	-	-	$(18,713)

The Group manages its liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and by matching the activity profiles of financial assets and liabilities. Details of the Groups funding arrangements are disclosed in Note 19.

The Group has determined that fair value of all financial assets and liabilities approximates carrying amounts.

2016 Parent	Weighted Average Effective Interest Rate	Less than 1 Year $000	1 - 3 Years $000	3 - 5 Years $000	5+ Years $000	Total $000
Financial Assets:						
Accounts Receivable		14,679	-	-	-	14,679
Advances to Subsidiaries		-	-	-	3,016	3,016
Derivative Financial Instruments		1,490	-	-	-	1,490
Financial Liabilities:						
Accounts Payable and Accruals		(8,642)	-	-	-	(8,642)
Amounts Owing by Subsidiaries		-	-	-	-	-
Bank Overdraft	10.20%	(188)	-	-	-	(188)
Borrowings	1.82%-4.80%	(18,921)	(1,520)	-	-	(20,441)
		$(11,582)	$(1,520)	-	$3,016	$(10,086)

2015 Parent	Weighted Average Effective Interest Rate	Less than 1 Year $000	1 - 3 Years $000	3 - 5 Years $000	5+ Years $000	Total $000
Financial Assets:						
Accounts Receivable		11,616	-	-	-	11,616
Advances to Subsidiaries					2,478	2,478
Derivative Financial Instruments		390	-	-	-	390
Financial Liabilities:						
Accounts Payable and Accruals		(8,576)	-	-	-	(8,576)
Amounts Owing by subsidiaries		-	-	-	-	-
Bank Overdraft	10.95%	(743)	-	-	-	(743)
Borrowings	2.27%-6.47%	(21,830)	-	-	-	(21,830)
		$(19,143)	-	-	$2,478	$(16,665)

d) Credit Risk

The Group performs credit evaluations on all customers requiring credit and generally does not require collateral.

Maximum exposures to credit risk as at balance date are:

	Group		Parent	
	2016	2015	2016	2015
Net Advances to Subsidiaries	-	-	3,015,830	2,477,502
Trade Debtors	14,774,490	17,411,733	14,678,997	11,615,525
Derivative Financial Instruments	1,490,457	389,883	1,490,457	389,883

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts.

e) Concentrations of Credit Risk

The Group does not have any significant concentrations of credit risks.

f) Fair Values

The fair value of derivative instruments is calculated using quoted market prices. 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.

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).

		2016			2015	
Group and Parent	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Derivative Financial Assets	-	1,490,457	-	-	389,883	-

The Parent is the same as the Group in 2016.

g) Foreign Exchange Contracts

Group and Parent

The Group has a policy to hedge all sales denominated in foreign currencies.

The following table details the forward foreign currency contracts outstanding at reporting date:

Outstanding Contracts	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2016	2015	2016	2015	2016	2015	2016	2015
Australian Dollars	0.9307	-	46,600	-	50,070	-	(1,673)	-
Canadian Dollars	-	0.9155	-	59,700	-	65,210	-	2,181
US Dollars	0.6654	0.7548	7,318,670	11,195,349	10,998,548	14,832,013	367,513	11,680
Euro	0.5932	0.6644	3,522,302	3,618,233	5,937,990	5,446,120	112,690	221,143
British Pound	0.4371	0.4902	4,740,739	2,154,075	10,845,869	4,393,948	999,333	155,971
Chinese Yuan	4.4303	4.7330	7,142,800	5,035,670	1,612,258	1,063,953	12,594	(1,092)
							$1,490,457	$389,883

All foreign exchange contracts mature in less than one year.

The Parent is the same as the Group in 2016.

h) Sensitivity Analysis

Foreign Currency

The following table details the Groups sensitivity to a 10% increase or decrease in the various foreign currencies to which the Company is exposed at balance date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the balance date for a 10% change in the relevant foreign currency rate. An increase in foreign currency will increase Profit and Equity.

	Group		Parent	
	2016	2015	2016	2015
	$000	$000	$000	$000
Net Profit (Loss) After Taxation	63	2	63	2
Total Equity	63	2	63	2

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the balance date exposure does not reflect the exposure during the year.

Interest Rate

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing financial instruments at the balance sheet date. For floating rate instruments, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. If interest rates had been 100 basis points higher or lower and all other variables were held constant the impact would have been:

	Group		Parent	
	2016	2015	2016	2015
	$000	$000	$000	$000
Net Profit (Loss) After Taxation	135	187	135	156
Total Equity	135	187	135	156

An increase in interest rates would decrease Profit and Equity.

25 Reconciliation of Profit (Loss) After Taxation With Net Cash From Operating Activities

	Group		Parent	
	2016	2015	2016	2015
Net Surplus (Deficit) After Taxation	(1,956,917)	1,239,630	(770,715)	1,305,877
Non Cash Items:				
Depreciation and Gain (Loss) On Sale	1,167,911	1,057,510	981,712	1,015,986
Deferred Tax	(753,022)	497,461	(283,522)	524,256
	(1,542,028)	2,794,600	(72,525)	2,846,119
Movement In Working Capital				
Accounts Payable and Accruals	(846,953)	(1,486,058)	65,549	(1,257,874)
Income Received in Advance	256,419	(254,978)	256,419	(254,978)
Derivative Financial Instruments	(528,700)	141,952	(528,700)	141,952
Accounts Receivable and Prepayments	4,168,983	(2,383,881)	(1,895,580)	2,781,118
Inventory	8,601,029	(4,530,152)	7,066,300	(3,601,462)
Livestock	(78,648)	449,508	(78,648)	449,508
Taxation Payable (Receivable)	708	(702)	1,067	(1,071)
	11,572,840	(8,064,312)	4,886,407	(1,742,808)
Net Cash Inflow/(Outflow) From Operating Activities	$10,030,812	$(5,269,712)	$4,813,882	$1,103,311

26 Transactions With Related Parties

Group

Mr M J McMillan, a director of the Company, was paid consulting fees for services provided during the year, totalling $5,000 (2015: $9,000). In addition, Mr M J McMillan was employed as General Manager. Salary paid represented 0.3% of total wages paid during the year. (2015: Nil)

Mr G J Cooney is also a director of the Red Meat Profit Partnership (RMPP). RMPP is a collaboration between the Red Meat Sector and the Government with the aim of boosting sheep and beef farmer productivity and profitability. Blue Sky Meats (NZ) Ltd received $39,178 from RMPP and $29,468 was paid to RMPP. At balance date $22,351 was owed to Blue Sky Meats (NZ) Ltd (2015: $Nil).

Mr S O'Donnell, a director of the Company, is a director of a group of companies who provide transportation services to the Company. These were provided for on normal commercial terms. $1,724,502 was paid to the various transportation companies during the year and at balance date $207,302 was owed by the Company (2015: $1,399,856 was paid to the various transportation companies and $163,710 was owed at balance date).

Mr A G Lowe, a director of the Company, is a director of a group of companies who procures pelts and skins, and markets meat and bone meal. These were provided for on normal commercial terms. $8,332 was paid to Lowe Corporation Ltd during the year and $6,135,390 was received. At balance date $110,386 was owed by Lowe Corporation Ltd to Blue Sky Meats (NZ) Ltd (2015: $940,958).

Mr P J Carnahan, a director of the Company, is a director of Southfuels Ltd who provides fuel to the company. These were provided for on normal commercial terms. $31,688 was paid to Southfuels Ltd during the year. At balance date $2,283 was owed by the Company (2015: $Nil)

No amounts were forgiven or written off during the year.

Parent

Sales to Horizon Meats New Zealand Limited and Blue Sky Meats (Gore) Limited for the year were $Nil (2015: $Nil). The amount recoverable from Horizon at year end is $Nil (2015: $Nil).

Advances to/from subsidiaries are interest free and repayable on demand. The amount owing from the Parent to the subsidiaries is $Nil (2015: $Nil).

The amount owing by subsidiaries to the Parent is $3,015,830 (2015: $2,477,502).

27 Significant Events after Balance Date

Dividend Payment

It was proposed by the Directors that no dividend would be paid for the 2016 year. In 2015 it was proposed that a final dividend of 5 cents per share based on 11,526,098 shares be paid to shareholders requiring $576,305.

Remuneration of Directors

Director's remuneration and other benefits received, or due and receivable during the year, is as follows:-

Directors Fees	Group	Parent
Mr G J Cooney - Chairman	68,570	68,570
Mr J P Houlker	34,286	34,286
Mr P J Carnahan	34,286	34,286
Mr M J McMillan	34,286	34,286
Mr S O'Donnell	34,286	34,286
Mr A G Lowe	34,286	34,286
	$240,000	$240,000

Other Remuneration	Group	Parent
Mr M J McMillan	59,688	59,688
	$299,688	$299,688

Remuneration of Employees

Five employees received remuneration exceeding $100,000:

Remuneration Levels	No of Employees
$100,000 - $109,999	2
$110,000 - $119,999	0
$130,000 - $139,999	1
$140,000 - $149,999	0
$150,000 - $159,999	1
$200,000 - $209,999	0
$280,000 - $290,000	1

Donations

No donations were paid by the Parent Company or subsidiary companies during the year.

Entries in Interests Register during Financial Year

(a) Directors Interests

The following transactions were entered into by the directors of the Company during the year:

- Consulting fees were paid to Mr Cooney and Mr McMillan during the year.
- Mr McMillan, a director of the Company, is also employed as the General Manager of the Company.
- Transportation services provided to the Company by a group of companies, of which S O'Donnell is a director.
- Lowe Corporation Ltd who procure pelts and skins and market meat and bone meal, of which A G Lowe is a director.
- Fuel provided to the company by Southfuels Ltd, of which P Carnahan is a director.

All of these transactions are provided on normal commercial terms.

The details of these transactions are given in Note 26 to the financial statements "Transactions with Related Parties".

Key Figures

	2016	2015	2014	2013	2012
Revenue and Interest Income	123,976,625	102,137,698	95,297,021	97,455,073	114,176,954
Net Profit (Loss) after Tax	(1,956,917)	1,239,630	1,946,504	(3,875,093)	(449,149)
Number of Shares (on which dividend paid)	11,526,098	11,526,098	11,526,098	11,526,098	11,526,098
Total Dividend	-	576,305	1,152,610	-	-
Ordinary Dividend (cents per share)	-	5 cps	10 cps	-	-
Equity	21,519,907	23,641,557	23,705,778	21,583,817	25,280,426
Net Tangible Asset Backing per Ordinary Share at 31 March	$1.57	$1.80	$1.92	$1.66	$2.10
Earnings per Share (cents)	(16.98¢)	10.75¢	16.89¢	(33.62¢)	(3.88¢)

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BLUE SKY MEATS (NZ) LIMITED

Report on the Consolidated and Separate Financial Statements

We have audited the accompanying consolidated and separate financial statements of Blue Sky Meats (NZ) Limited and its subsidiaries ('the Group') on pages 8 to 34, which comprise the consolidated and separate balance sheets as at 31 March 2016, and the consolidated and separate statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Consolidated and Separate Financial Statements

The Board of Directors are responsible for the preparation of consolidated and separate financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and separate 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 the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated and separate financial statements.

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

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in Blue Sky Meats (NZ) Limited or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Opinion

- In our opinion, the consolidated and separate financial statements on pages 8 to 34:
- comply with New Zealand Equivalents to International Financial Reporting Standards;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Blue Sky Meats (NZ) Limited and its subsidiaries as at 31 March 2016, and their financial performance and their cash flows for the year ended on that date.

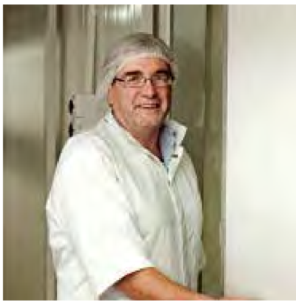
Report on Other Legal and Regulatory Requirements

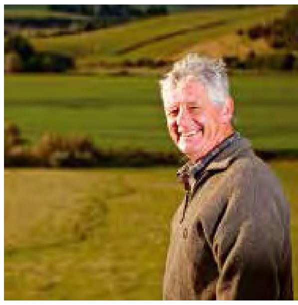
We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the consolidated and separate financial statements for the year ended 31 March 2016:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Blue Sky Meats (NZ) Limited as far as appears from our examination of those records.

Deloitte

Chartered Accountants
8 June 2016
Dunedin, New Zealand





BlueSkyMeats



Morton Mains No.1 R.D.
Invercargill 9871

Telephone 64 3 231 3421
Facsimile 64 3 231 3457

www.bluesky.co.nz

Graham Cooney
Chairman
027 432 8567

Malcolm McMillan
General Manager
027 433 1338

Russell Cavanagh
Procurement Manager
027 433 9345