

ANNUAL REPORT

2022



FishServe

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About

Established in 1999, Commercial Fisheries Services Limited (FishServe) provides the systems and tools that underpin Aotearoa New Zealand's fisheries, supporting the smooth and reliable operation of the Quota Management System (QMS).

Since 2001 FishServe has been the Approved Service Delivery Organisation (ASDO), accountable to the Minister for a range of statutory functions and duties transferred to it, alongside other services that are delivered under contract with the Ministry for Primary Industries.

FishServe is a seafood industry owned company, providing smart information services that make administration and compliance easier for fishers – so they can focus on their operations while having confidence that they are meeting their statutory obligations (under the Fisheries Act 1996).

FishServe are passionate about the industry they serve and supporting sustainable fisheries, their in-house team are dedicated to delivering robust systems, innovative software, and information services to meet evolving needs. Their vision is to support fishers to feed the world for generations to come.

Update from the Chair

A pivotal year of change

The 2022 financial year was one of change at FishServe.

Our senior leadership team underwent a change of guard with the farewell of CE Lesley Campbell following 23 years of service. It is with gratitude that we can reflect on the unwavering service and dedication Lesley provided during her time at FishServe and the excellent reputation that she built for the company with a focus on efficiency and integrity.

It was important for us to continue to build on this solid foundation and principles, and the Board and I were very pleased to appoint Caroline Read as our new Chief Executive in March 2022. Her proven experience leading the transformation of Overseer Limited into a value-add software service sees a particular set of skills that will be needed as we embark on the next evolution of FishServe.

Under Caroline's guidance, the team navigated a range of challenges and changes during the year. This included working remotely while we waited for FishServe's new premises to be completed, overseeing the development of a space and facilities to provide an industry hub into the future, and navigating post-COVID talent shortages.

The delivery of FishServe's new vision and strategy encompasses the company's new direction. This is one of higher profile and increased industry engagement as it works to support greater sustainability for Aotearoa New Zealand fisheries

The vision to 'Support fishers to feed the world for generations to come: Ka tautoko i ngā kaihao ki te whāngai i te ao hei ngā reanga haere ake nei' demonstrates the tighter connection between its activities and its focus on improving access to information.

This evolution will see the organisation become one that maintains the sound and stable delivery of statutory services, and one that supports the presentation of fishing information in a way that will contribute to a higher level of transparency in fisheries management. This will be delivered by translating millions of real-time data points into usable tools that will help the industry better understand the information we have available.

Continued

To support this direction, FishServe's focus was narrowed and all non-fisheries-related work progressed exiting. This resulted in the decision to close FishServe Innovations (FINNZ) and bring the capabilities and specialist skills of the team back into the FishServe operation.

We wrapped the 2022 financial year at a pivotal point of renewal for the organisation, and one of considerable uncertainty. Uncertainty is a continuing theme as we look ahead to the election year, and a time of significant pressure across the industry that continues to contend with regulatory changes, increasing fuel and operating costs and ongoing challenges in the labour market.

However, we look forward with a sense of confidence. There is widespread industry support for FishServe's new direction and strategy, and solid foundations are in place to support the strong team that will deliver this. There is also a clear understanding and agreement on our kaupapa and a commitment to maintaining agility as we continue to deliver cost-effective, efficient services.

I thank my fellow board members, G T (Stan) Crothers ONZM, Dame Kerry Prendergast DNZM, CNZM, and Dr. Jeremy Helson for their support and service during the year. Their insights have supported us as we embark on this new era with confidence and a sound understanding of the road ahead.

I close by acknowledging the unwavering commitment and contribution of the FishServe team. While it was a year of significant change, it was met with acceptance and support.

Ngā mihi.



Tom McClurg
Chairperson FishServe

Update from the CE

A new direction for FishServe to steer us through the next decade

Starting in my role as Chief Executive in March 2022 signified a new beginning for FishServe. It marked the departure of long-term chief executive, Lesley Campbell, and two other long-serving senior leadership team members, Tony Bowler and Dan Martin. Their dedication and contribution to FishServe is truly humbling and left large shoes to fill.

It was a pivotal time to join the company, as preparations were underway for the renewal of both our Service Delivery Agreement (SDA) and status as the Approved Service Delivery Organisation (ASDO). I spent the first months of my role working with the Board to review and revise our strategic direction, and setting important groundwork for us to prepare for the regulatory process required by our governing legislation.

The excitement I felt when I joined only increased as I built relationships and expanded my knowledge of the seafood sector and how FishServe supports it. In my first 180 days I committed to getting to know the sector, meeting both the fishing industry and Fisheries New Zealand management. This personal commitment to engagement was echoed across FishServe, where many of our team spent the year getting closer to fishers on the ground. This saw a big presence at both the Federation of Commercial Fishermen and Seafood New Zealand conferences. I know we all relished these opportunities to engage with the wider sector and to partake in the broader conversations these events enable us to have.

These engagements gave me a far greater appreciation for the very real challenges the fishing industry face in the wake of COVID, increasing fuel costs, a changing regulatory environment, and the impacts of changes in the ocean environment from climate change. I also gained an appreciation of the significant opportunities that exist for FishServe to deliver further value to support the sector and better meet its needs, resulting in more sustainable fisheries for all.

These insights fed into our development of a new vision and strategy. Our work on the strategy let us reflect on our long history of service to the sector, delivering efficiency gains while providing consistent, high-quality services to support fishers to meet their reporting requirements, and supporting government to run an effective Quota Management System (QMS).

Continued

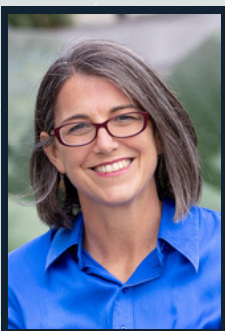
However, a new era is dawning where modern technology will play a big part in the industry. Alongside this, we know that the industry is under increased pressure to demonstrate its sustainability amidst continuous regulatory change. As a result, our strategy supports a shift in our focus to ensuring fishers, quota owners, and the whole industry can get more value from the system they pay for and make use of the data provided to support decision-making.

Given the opportunities within fisheries, we made the significant decision to exit our non-fisheries work through the FishServe Innovations (FINNZ) subsidiary. This simplifies our focus and provides more certainty and consistency across our technology platform. This allowed us to revise our business model and embed an agile approach and practices to our operations.

Alongside the necessary focus on supporting the capability of our team, there has been an increased focus on our people and culture. After a year and a half out of our office space, we were very excited to move into our new offices in August. The significant financial investment in the fitout has delivered an environment that our team and the industry can use and thrive in. It has been encouraging to see wide use of the facilities by the sector already, and I look forward to seeing this grow more during the year.

I know that many of the challenges facing fisheries that we saw last year will continue over the next 12 months. I am confident that we have a solid foundation to support the sector – with a sound strategy and vision, and a strong team ready and excited to deliver the same high-level of commitment and unwavering service that we are known for.

Ngā mihi.



Caroline Read
Chief Executive

Statement of Strategic Direction

COMPANY VISION AND STRATEGY - 2022



OUR VISION

Supporting fishers to feed the world for generations to come

OUR PURPOSE

Enabling successful and sustainable fisheries through smart information services

STRATEGIC DRIVERS

- We deliver value into Aotearoa New Zealand's fisheries (through both government and industry)
- Our work has a positive impact on the environmental, social, and economic sustainability of Aotearoa New Zealand's fisheries
- People want to work for us
- We are a purpose-driven company

STRATEGIES

In the delivery of smart information services, we are:

Helpful - We are focused on meeting customer needs through the excellent operationalisation of information services - that means through our software solutions and our service support.

Trusted - We are the trusted provider of information services - we get it right when it comes to regulatory reporting, and we provide trustworthy information to support better decisions.

Cost-effective - As an industry-owned company using cost-recovery funds, we focus on creating greatest value at least cost.

Innovative - We are enablers of change, we seek ways to make it easier to improve the environmental, social, and economic sustainability of fishing through connected information services that underpin regulatory processes, fisheries management processes and business decisions.

Collaborative - We are actively engaged with industry and others who are seeking to improve fisheries management through the innovative use of data and science.



PERFORMANCE INDICATORS

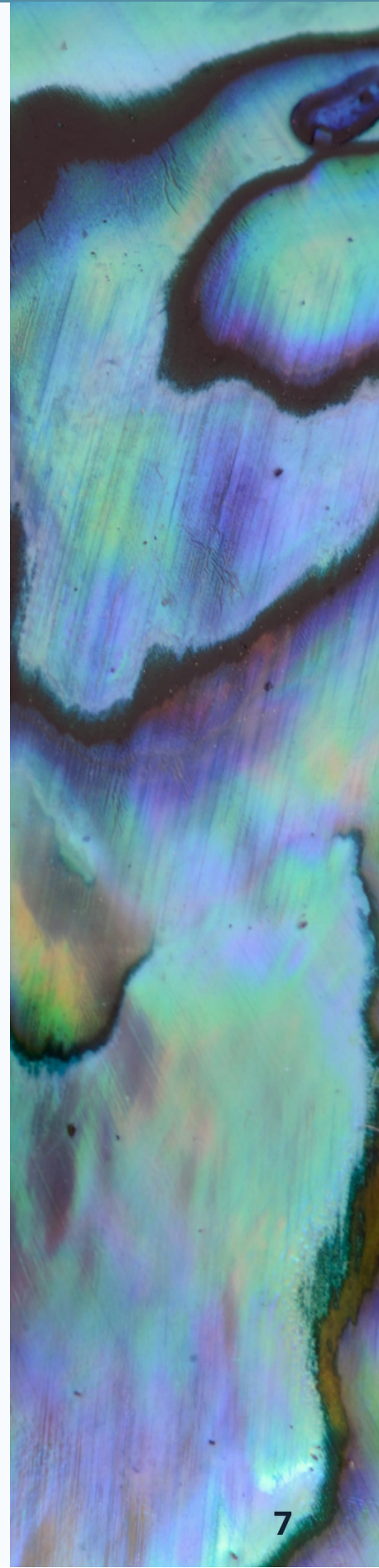
In assessing our success in delivering our strategic goals we will review our performance based on how much:

- **Our people are helpful and solutions focused**
- **Our products and services are valued, reliable, user-friendly, and modern**
- **Our business approach is simple, clear, and purpose driven**
- **Our information services and partnerships improve fisheries management**

OUR STRATEGIC MOVES

To achieve our strategic outcomes, we will:

- **Have a leadership, culture, and structure that attracts and retains talent**
- **Have a modern platform that supports the delivery of smart information services**
- **Have our brand excellence recognised by those we serve and those we partner with**



KO TĀ MĀTOU TIROHANGA WHAKAMUA

Ka tautoko i ngā kaihao ki te whāngai i te ao hei ngā reanga haere ake nei

KO TŌ MĀTOU KAUPAPA

Mā ngā ratonga pārongo koi e angitū ai,
e toitū ai te haonga ika

KO TE PŪTAKETANGA O NGĀ RAUTAKI

- Ka whakawāia e mātou te haonga ika o Aotearoa (mā te kāwanatanga me te ahumahi)
- He pānga whaihua o ā mātou mahi ki te toitūtanga ā-taiao, ā-pāpori, ā-taiōhanga hoki o te haonga ika o Aotearoa
- Kei te pīrangī a ngāi tāngata ki te mahi ngātahi me mātou
- He kamupene whai kaupapa mātou

KO NGĀ RAUTAKI

Mā roto mai i ngā ratonga pārongo koi, he kamupene pēnei mātou:

Mō te āwhina - Ka aro mātou ki te whakatutuki i ō te kiritaki hiahia mā roto mai i te hiranga o ā mātou mahi ratonga pārongo – arā, mā roto mai i ā mātou mehanga pūmanawa rorohiko me ā mātou ratonga tautāwhi.

Mō te tautoko - Ko mātou te kaituku ratonga pūrongo e kaha tautokona ana – he tika ā mātou mahi rīpoata waeture, he tika hoki ā mātou mahi tuku pārongo hei tautoko i ngā whakatau pai ake.

Mō te whai whakaaro ā-utu - Hei kamupene nā te ahumahi e whakamahi nei i ngā pūtea whakahoki-utu, ka aro mātou ki te whakatupu i te wāriu mā roto i te utu paku.

Mō te auaha - He kaiwhakapanoni mātou, ka whai huarahi e māmā ai te whakapakari i te toitūtanga ā-taiao, ā-pāpori, ā-taiōhanga hoki o te hao ika mā roto mai i te ratonga pārongo hei tūāpapa mō ngā hātepe waeture, mō ngā hātepe whakahaere haonga ika, mo ngā whakataunga pakihī hoki.

Mō te mahi ngātahi - Ka tūhonohono mātou ki te ahumahi me ērā atu e ngana ana ki te whakapakari i te whakahaere o te haonga ika mā roto mai i te whakamahinga o ngā raraunga me te pūtaiao.



NGĀ TOHU PAEARU WHAKATUTUKI

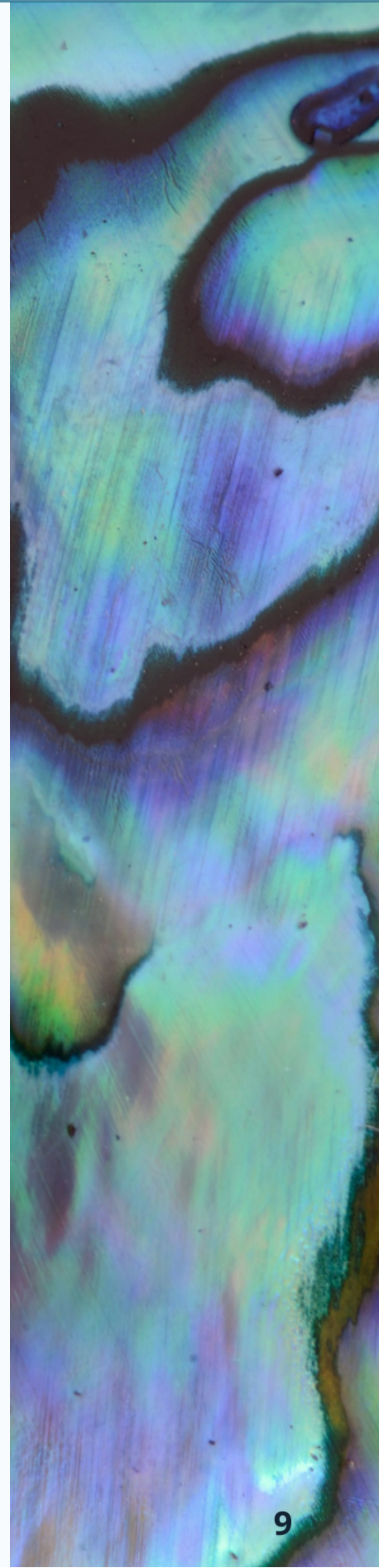
I a mātou e whakamātautau ana i tō mātou angitū ki te whakatutuki i ngā whāinga rautaki, ka arotaketia mēnā rānei:

- Kei te aro ō mātou tāngata ki te āwhina me te whaimehanga
- Ko ā mātou hanganga me ā mātou ratonga kei te whaihua, kei te tika, he māmā te whakamahi, he hou anō hoki
- Ko tō mātou aronga pakihi he māmā, he mārama, ka ū hoki ki tō mātou kaupapa
- Ko ā mātou ratonga pārongo me ngā rangapū kei te kaha whakapakari i ngā whakahaere haonga ika

KO Ā MĀTOU MAHI RAUTAKI

E tutuki ai ā mātou whāinga rautaki:

- Me whai ahurea hautūtanga, me whai ahurea, me whai hanganga anō hoki e tō mai ai i ngā pūkenga, e puritia ai aua pūkenga
- Me whai tūāpapa hou e tautoko ai i te tuku a ngā ratonga pārongo koi
- Me whakamana te papai o tō mātou waitohu me ō mātou rangapū e te kiritaki me ō mātou hoa mahi ngātahi



Our Priorities

2021/22

- Prepare FishServe to be in the best position possible to be re-appointed as the ASDO and contracted as SDA.
- Engage with non-traditional stakeholders to better inform them of the nature and extent of FishServe's role and services.
- Build on the foundations set in 2020/21 to deliver both a broader range of services, and custom commercial software products.
- Shift the profile of the organisation so that our value is understood and sought by all seafood sector stakeholders.

2022/23

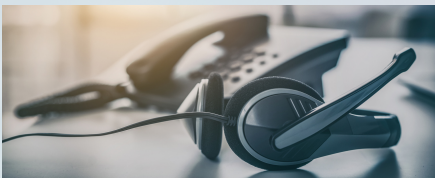
- Renewal of the ASDO and the SDA contract with MPI.
- Implement our new strategy to position FishServe as a product and services business focused on delivering information services to the fishing industry.
- Upgrade our technology and software services including moving our FishServe system to the cloud and implementing a new financial system.

Statutory Services

Snapshot

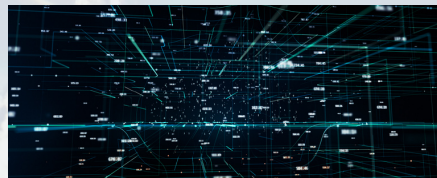
We have continued to support the industry with their electronic reporting and meeting of regulations through the FishServe website, our call centre, and industry workshops.

Over the year, the team completed **37 production releases** across the FINNZ and FishServe software portfolios. This included maintaining and improving the FishServe web-based application to continue to meet the needs of its users. It also included updates to meet regulation changes and the addition of new GPR providers, and we have continued to work with all logbook providers to support the industry.



CUSTOMER SERVICE

76,797 Registry reports
7,431 Helpline calls
8,943 Non-statutory client reminders



SOFTWARE PERFORMANCE

99.5% System availability
0 System failures or issues

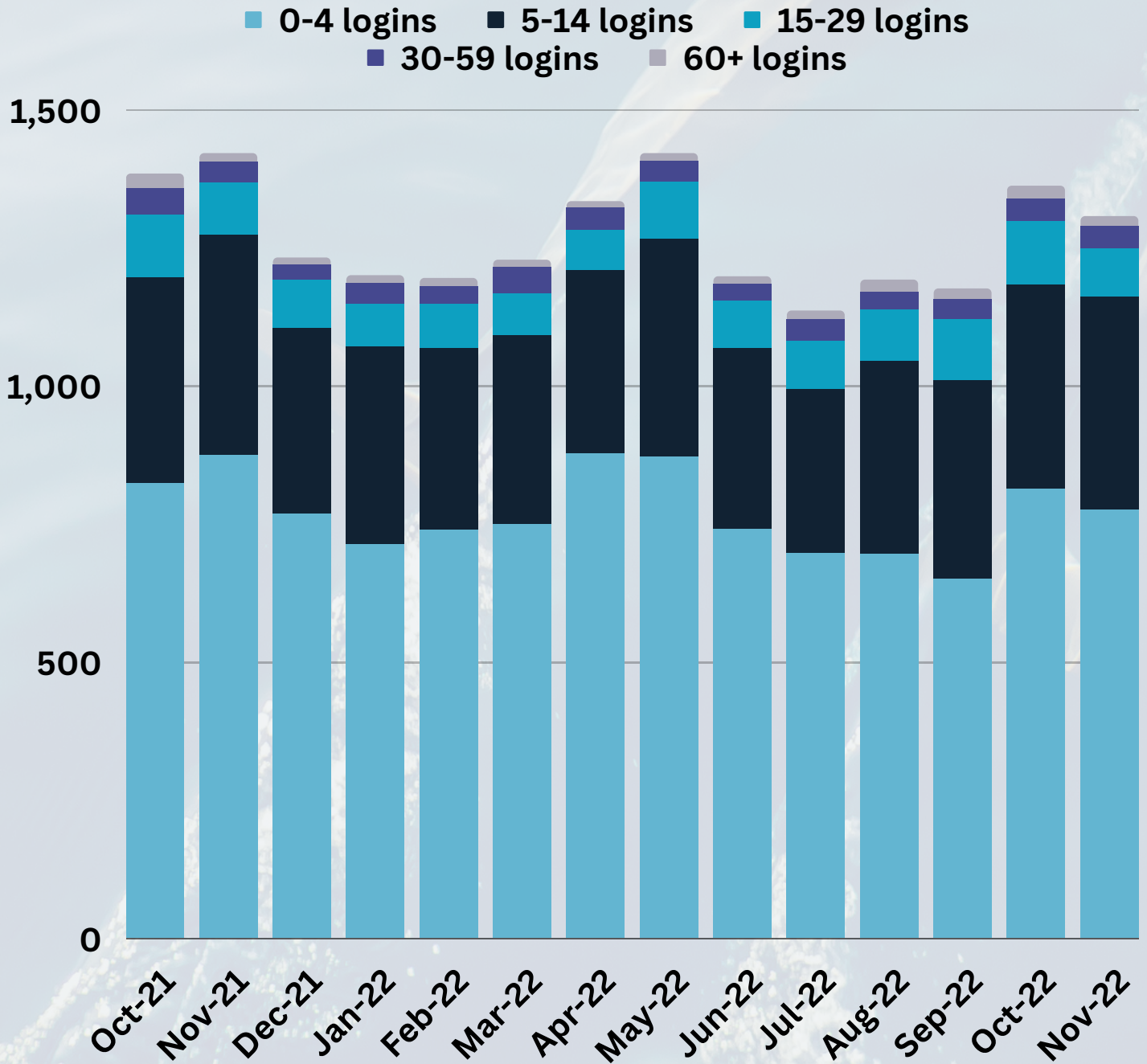


SERVICE VOLUMES

11,877 ACE Transfers
181 Quota transactions
312 Vessel registrations
288 Permit applications

Continued

Web-application usage

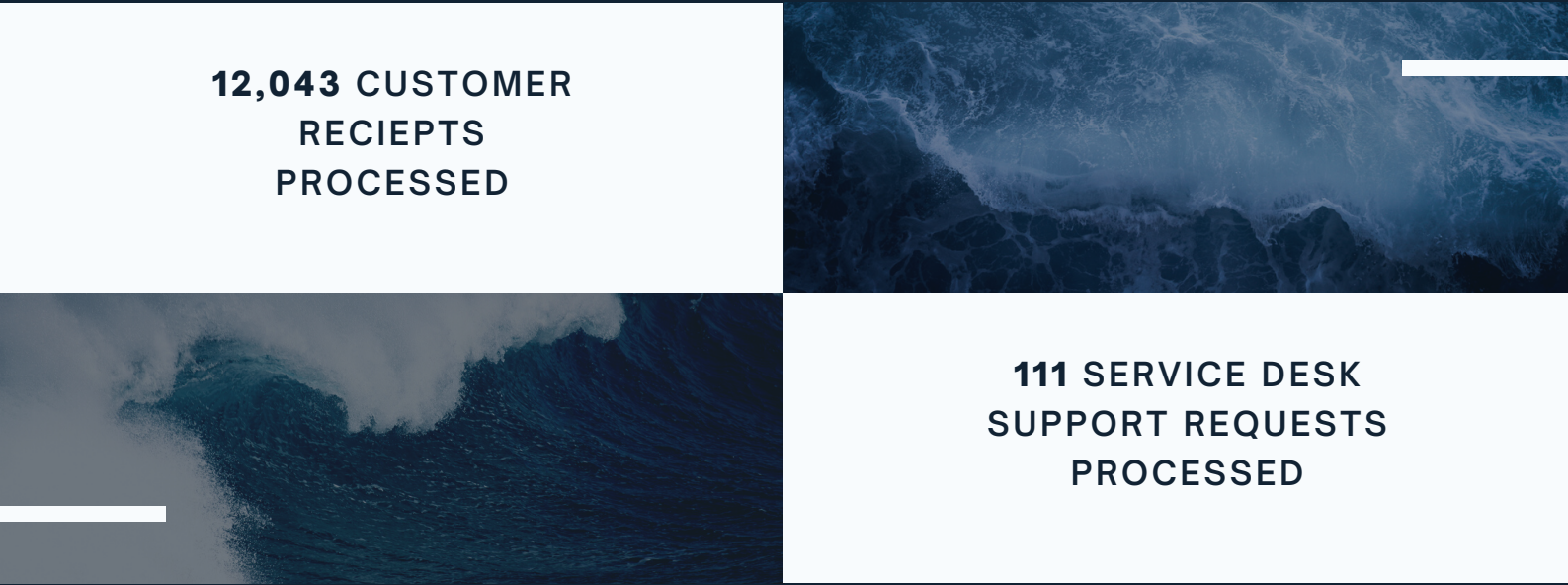


Shared Services

Snapshot

FishServe provides shared corporate services to 11 entities within the Seafood New Zealand umbrella to ensure that resource efficiencies can be achieved across their financial, payroll, and administration requirements.

Services include supporting financial management (Levy Collections, Invoicing, Debt Recovery, Financial Reporting and Management), and wider Corporate Services (Payroll, Call Centre Services, IT Support, and Event Support).



**12,043 CUSTOMER
RECIEPTS
PROCESSED**

**111 SERVICE DESK
SUPPORT REQUESTS
PROCESSED**

Financial Review

Audited FishServe Annual Accounts for the year-ended 30 September 2022

The Board is responsible for the preparation of FishServe's (Commercial Fisheries Services Limited) financial statements, and the judgements made in them.

In the Board's opinion, the financial statements fairly reflect the financial position and operations of FishServe for the period ending **30 September 2022**.

Financial Review

Commercial Fisheries Services Limited Financial Statements For the year ended 30 September 2022

DIRECTORY

Directors

Thomas McClurg (Chairman)	Chairman
Kerry Prendergast	Director
Jeremy Helson	Director
Stan Crothers (appointed 1 October 2021)	Director

Premises

Level 12
7 Waterloo Quay
Wellington

Website

www.fishserve.co.nz

Auditor

BDO Wellington Audit Limited

Bank

Bank of New Zealand

Solicitor

Chapman Tripp

Financial Review

Commercial Fisheries Services Limited Financial Statements For the year ended 30 September 2022

DIRECTORS' REPORT

The Directors submit this Report, which forms part of the financial statements, for the year ended 30 September 2022.

Activities

The principal activity of Commercial Fisheries Services Limited is to provide registry services to the NZ Seafood Industry.

Results

The total net deficit after tax for the year ended 30 September 2022 was: \$ (602,319)

Equity at 30 September 2022 was:

\$ 4,267,720

Directors' Interest

Transactions in which the Directors have held an interest have been noted in the Interests Register. There were no loans made by the Company to Directors.

Use of Company Information

There were no notices from Directors of the Company requesting to use company information received in their capacity as Directors which would not otherwise have been available to them.

Directors' Remuneration & Benefits

Remuneration is paid to Directors as detailed in Note 3.

Insurance of Directors

The Directors of the Company are insured under the group insurance policy operated by Seafood New Zealand Limited in respect of liability and costs permitted in accordance with the Companies Act 1993.

Share Dealings

There were no share dealings during the year.

Auditors

It is proposed that BDO Audit Wellington Limited continue as auditors for the coming year.

Financial Review

Commercial Fisheries Services Limited Financial Statements For the year ended 30 September 2022

DIRECTORS' REPORT

Remuneration of Employees

During the year the following number of employees received remuneration of at least \$100,000:

\$100,000 - \$110,000	4
\$110,001 - \$120,000	5
\$120,001 - \$130,000	1
\$130,001 - \$140,000	
\$160,001 - \$170,000	2
\$170,001 - \$180,000	
\$190,001 - \$200,000	1
\$200,001 - \$300,000	1

Financial Position

The state of the Company's affairs at 30 September 2022 was:

Assets totalled	<u>\$ 5,597,645</u>
Financed by shareholders equity of	\$ 4,267,720
and Liabilities of	\$ 1,329,925
	<u>\$ 5,597,645</u>

Financial Review

Commercial Fisheries Services Limited Statement of Comprehensive Revenue & Expense For the year ended 30 September 2022

	Note	2022 \$	2021 \$
Revenue from Exchange Transactions	2	5,941,979	5,521,329
Operating Expense	3, 4	(6,390,407)	(5,987,525)
Operating Deficit		(448,428)	(466,196)
Interest Income		1,795	331
Reversal of Impairment/(Impairment in Subsidiary)		(297,657)	262,960
Net (Deficit) before taxation	4	(744,290)	(202,905)
Income Taxation Credit	5	141,971	152,156
Net (Deficit) after taxation		(602,319)	(50,749)
Total Comprehensive Revenue & Expense			
Net (Deficit) after taxation		(602,319)	(50,749)
Total Comprehensive Deficit		(602,319)	(50,749)

Financial Review

**Commercial Fisheries Services Limited
Statement of Changes in Net Assets/Equity
For the year ended 30 September 2022**

	Note	2022 \$	2021 \$
Accumulated Losses			
Opening Balance		(5,954,949)	(5,904,200)
Net (Loss) after taxation		(602,319)	(50,749)
Closing Balance		<u>(6,557,268)</u>	<u>(5,954,949)</u>
Share Capital			
Capital Reserve	9	10,823,988	10,823,988
Share Capital	9	1,000	1,000
		<u>10,824,988</u>	<u>10,824,988</u>
Total Net Assets/Equity at end of Year		<u><u>4,267,720</u></u>	<u><u>4,870,039</u></u>

Financial Review

Commercial Fisheries Services Limited Statement of Financial Position As at 30 September 2022

	Note	2022 \$	2021 \$
Assets			
Trade Receivables from Exchange Transactions	7	170,262	179,716
Intercompany Receivables	8	364,453	248,932
Accrued Revenue		4,862	3,268
Prepayments		20,838	20,177
Cash and Cash Equivalents	6	1,101,669	1,320,941
Total Current Assets		1,662,084	1,773,034
Property, Plant & Equipment	10	1,165,080	43,874
Intangible Assets	11	1,865,631	3,010,231
Investment in Subsidiaries	16	252,343	550,000
Intercompany Tax Receivables	8	652,507	658,795
Total Non Current Assets		3,935,561	4,262,900
Total Assets		5,597,645	6,035,934
Liabilities			
Trade Creditors and Other Payables under Exchange Transactions	12	202,958	138,699
Customers Deposits in Advance		48,357	40,138
Intercompany Payable	8	50,202	484
Fees & Levies in Advance		137,363	69,781
GST Payable		66,645	125,765
Provision for Taxation	5	53,784	-
Employee Entitlements	13	284,086	307,425
Total Current Liabilities		843,395	682,293
Deferred Tax liability	5	281,559	483,601
Rent Rebate		204,970	-
Total Non Current Liabilities		486,529	483,601
Total Liabilities		1,329,925	1,165,895
Equity			
Share Capital	9	1,000	1,000
Capital Reserve	9	10,823,988	10,823,988
Accumulated Losses		(6,557,268)	(5,954,949)
Total Equity		4,267,720	4,870,039
Total Equity and Liabilities		5,597,645	6,035,934

For and on behalf of the Directors who approved the issue of these Financial Statements on Dec 22, 2022

Chairman 

Director  Approved on (Dec 23, 2022 11:05 GMT+13)

The accompanying notes form part of, and should be read in conjunction with, these Financial Statements.

IBDO

Financial Review

Commercial Fisheries Services Limited Statement of Cashflows For the year ended 30 September 2022

	Note	2022 \$	2021 \$
Cash Flow From Operating Activities			
<i>Cash Was Provided From:</i>			
Receipts From Customers		5,777,620	5,316,571
Interest Received		1,795	331
		<u>5,779,415</u>	<u>5,316,902</u>
<i>Cash Was Applied to:</i>			
Payment to Suppliers and Employees		(4,798,871)	(4,717,113)
		<u>(4,798,871)</u>	<u>(4,717,113)</u>
Net Cash Flows From Operating Activities		<u>980,544</u>	<u>599,789</u>
Cash Flow From Investing Activities			
<i>Cash Was Provided From:</i>			
Dividends from FINNZ		73,380	92,183
		<u>73,380</u>	<u>92,183</u>
<i>Cash Was Applied to:</i>			
Purchase of Property, Plant & Equipment & Intangible Assets		(1,273,196)	(295,683)
Net Cash Flows From Investing Activities		<u>(1,199,816)</u>	<u>(203,500)</u>
Net Increase/(Decrease) in Cash Held		(219,272)	396,289
Add Cash at Start of Year		1,320,941	924,652
Balance at End of Year		<u>1,101,669</u>	<u>1,320,941</u>

Financial Review

Commercial Fisheries Services Limited Notes to the Financial Statements For the year ended 30 September 2022

1 Statement of Accounting Policies

Reporting Entity

Commercial Fisheries Services Limited (CFS) is a Company registered under the Companies Act 1993. It is 100% owned by Seafood New Zealand Limited.

Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"). They comply with the Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") as appropriate for Tier 2 not-for-profit public benefit entities, and disclosure concessions have been applied.

The Company qualifies as a Tier 2 reporting entity as for the two most recent reporting periods it is not publicly accountable and not large (operating expenditure has been between \$2m and \$30m in the current and prior period).

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

Commercial Fisheries Services Limited is domiciled and incorporated in New Zealand. The Company provides registry based services to the commercial seafood industry in New Zealand.

The financial statements of the Company are presented in NZ dollars, which is the Company's functional currency.

Measurement Base

The general accounting policies recognised as appropriate for the measurement and reporting of financial performance and the financial position under the historical cost method have been followed in the preparation of these financial statements.

Accounting Policies

The following specific accounting policies that materially affect the measurement of financial performance and financial position have been applied.

a) Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis, with the exception of receivables and payables, which are shown GST inclusive.

b) Trade and Other Receivables

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

c) Depreciation & Amortisation

Depreciation has been calculated on a straight line basis at a rate calculated to allocate the asset's cost over its estimated useful life, as follows:

Cabling and Telecommunications Equipment	3 Years
CEDRIC Software	10 Years
Computer Hardware	3 Years
Computer Software	3 Years
Fisheries Registry Software - FishServe	1-8 years
Furniture and Fittings	10 Years
Leasehold Improvements	5 Years
Office Equipment	5 Years

It has been determined that the depreciation and amortisation methods adopted continue to reflect the assets pattern of consumption of future economic benefits.

Financial Review

Commercial Fisheries Services Limited Notes to the Financial Statements For the year ended 30 September 2022

1 Statement of Accounting Policies (continued)

d) Property, Plant & Equipment

(i) Fixed assets are recorded at original cost less accumulated depreciation less any provision for obsolescence or impairment.

(ii) Fisheries software has been classified as intangible assets.

e) Capital Work in Progress

Capital work in progress is stated at cost. Work in progress is transferred to Intangible Assets on completion of the project.

f) Intangible Assets

The Company has developed internally generated intangible assets. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically or commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and use or sell the asset. The expenditure capitalised includes the cost of materials and direct labour costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is included in the Statement of Revenue & Expense when incurred.

Intangible assets held by the Company have finite useful lives. The useful lives of intangible assets are reviewed by Directors for appropriateness at year end.

g) Taxation

Income tax comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Revenue & Expense except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably 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 at the reporting date.

A deferred tax asset 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.

h) Financial Instruments

The Company is party to financial instruments as part of its every day operations which have been recognised within the financial statements. These financial instruments include cash, debtors and creditors. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue & Expense. All financial instruments are recognised in the Statement of Financial Position.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire.

Financial Liabilities are measured at amortised cost which represents what the company would be contractually require to pay at maturity to the holder of the obligation.

i) Operating Leases

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Financial Review

Commercial Fisheries Services Limited Notes to the Financial Statements For the year ended 30 September 2022

1 Statement of Accounting Policies (continued)

j) Impairment

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Comprehensive Revenue & Expense.

k) Changes in Accounting Policies

There have been no material changes in accounting policies. These policies have been applied on a basis consistent with the previous financial year.

l) Revenue Recognition

Revenue is recognised on an accrual basis in the period to which it relates.

2 Revenue from Exchange Transactions

	2022	2021
	\$	\$
Revenue from Ministry for Primary Industries	3,460,066	3,505,746
Revenue from other Fishing Industry Activities	2,481,913	2,015,583
Total Operating Income	<u>5,941,979</u>	<u>5,521,329</u>

3 Directors' Remuneration

The following remuneration has been paid during the year:

	2022	2021
	\$	\$
Tom McClurg (Chairman)	16,800	16,800
David Sharp (Ceased 30 September 2021)	-	13,250
Kerry Prendergast	13,250	13,250
Jeremy Helson (paid to Seafood New Zealand)	13,250	13,250
Grant Crothers	13,250	-
Total Directors' Remuneration	<u>56,550</u>	<u>56,550</u>

Financial Review

Commercial Fisheries Services Limited Notes to the Financial Statements For the year ended 30 September 2022

4 Net (Deficit) before taxation is stated after charging:	2022	2021
	\$	\$
Depreciation on:		
Cabling and Telecommunications Equipment	6,730	7,795
Computer Hardware	26,303	23,061
Furniture and Fittings	1,174	885
Leasehold Improvements	8,189	-
Office Equipment	796	660
Amortisation on:		
Computer Software	695	4,166
Fisheries Registry Software - FishServe	1,240,543	1,182,379
Catch Effort Data Return Information Capture Software	13,840	32,210
Rental & Lease Expenditure	358,435	210,888
Kiwisaver Employer Contribution	97,854	98,882
5 Income Tax Expenses/Benefit	2022	2021
	\$	\$
(a) Components of income tax expense		
Current taxation		
- current period domestic tax	53,784	-
- group loss offset	-	(90,133)
Deferred taxation		
- recognition / utilisation of tax losses	65,771	94,715
- adjustments from prior periods	-	2,888
- temporary differences	(261,527)	(159,626)
	<u>(141,971)</u>	<u>(152,156)</u>
(b) Reconciliation of effective tax rate		
Operating (Loss) before taxation	(744,290)	(202,905)
Income tax using Company tax rate 28%	(208,401)	(56,813)
<i>Adjustments:</i>		
Prior year tax adjustment	-	2,888
Non-assessable income	(20,546)	(99,440)
Non-deductible expenses	86,976	1,209
Tax Credit	<u>(141,971)</u>	<u>(152,156)</u>
(c) Income tax payable/(receivable)		
Opening balance	-	-
Current tax year expense	53,784	-
Tax (payments) / refunds	-	-
Closing balance	<u>53,784</u>	<u>-</u>

Financial Review

Commercial Fisheries Services Limited Notes to the Financial Statements For the year ended 30 September 2022

5 Income Tax Expenses/Benefit (continued)

(d) Deferred tax assets and liabilities

Deferred tax assets and liabilities disclosed in the statement of financial position are a combination of deferred tax on unused tax losses and deferred tax on temporary differences.

	2022 \$	2021 \$
Deferred tax on unused tax losses		
Opening balance	59,484	160,274
Tax losses utilised in the year	(59,484)	(94,715)
Adjustments from prior periods	-	(6,075)
Closing asset/(liability) balance	<u>-</u>	<u>59,484</u>
Deferred tax on temporary differences		
Opening balance	(543,085)	(705,898)
Temporary difference movements	261,526	159,626
Adjustments from prior periods	-	3,187
Closing asset/(liability) balance	<u>(281,559)</u>	<u>(543,085)</u>
Total deferred tax (liability)	<u>(281,559)</u>	<u>(483,601)</u>

Deferred tax on unused tax losses is recognised as a deferred tax asset when management consider it probable that future tax profits will be available against which tax losses will be utilised.

The Company offsets assets and liabilities if, and only if, it has a legal enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Reconciliation of temporary differences

Deferred tax arising from temporary differences can be summarised as follows:

	2022 \$	2021 \$
Accelerated depreciation for tax purposes	(384,028)	(595,245)
Movement in employee entitlements	43,972	52,450
Movement in other provisions	1,860	756
Movement in rent rebate	57,392	-
Other items	(755)	(1,047)
Total deferred tax on temporary differences	<u>(281,559)</u>	<u>(543,085)</u>
Imputation Credit Account		
Opening balance at beginning of year	14,412	14,412
Resident withholding tax incurred	-	-
Net tax payments	-	-
Other adjustments	-	-
Closing balance at end of year	<u>14,412</u>	<u>14,412</u>

The closing balance represents imputation credits available to be attached to any further distributions from the Company's reserves, subject to certain shareholder continuity provisions.

Transfer of Tax Losses

There have been \$Nil tax losses transferred from this Company to other group entities in 2022 (2021: \$321,903).

Financial Review

Commercial Fisheries Services Limited Notes to the Financial Statements For the year ended 30 September 2022

6 Cash and cash equivalents	2022	2021
	\$	\$
Cash at Bank	1,101,669	1,320,941
	<u>1,101,669</u>	<u>1,320,941</u>
7 Trade Receivables from Exchange Transactions	2022	2021
	\$	\$
Trade Debtors	170,262	179,716
Total Trade Receivables	<u>170,262</u>	<u>179,716</u>

8 Transactions with Related Parties

(a) Identity of Related Parties

Commercial Fisheries Services Limited is part of the SNZL group, which is made up of the following companies:

* Seafood New Zealand Limited (SNZL)	Ultimate parent
* Commercial Fisheries Services Limited (CFS)	100% owned by SNZL
* Fishserve Innovations New Zealand Limited (FINNZ)	100% owned by CFS
* Seafood Innovations Limited (SIL)	90% owned by SNZL

All these related parties have 30 September balance dates. They are all separate legal entities.

(b) Types of Related Party Transactions

CFS has paid to FINNZ during the year of \$60,497 (2021: \$99,566) in regards to CFS charges incurred by FINNZ as well as a Fisheries Management Database Project. The balance payable at year end was \$7,000 (2021: \$NIL). The Company has entered into a service level agreement with FINNZ to provide its staffing, premises and administrative support. An invoice is raised by CFS each month and paid by FINNZ for the chargeback of these services. The total amount invoiced during the year was \$1,174,399 (2021: \$749,444). FINNZ also paid a dividend of \$73,380 (2021: \$92,183) to the company during the year. The balances outstanding at year end are stated below.

The Company has entered into a service level agreement with SNZL to provide its accounting and IT support. An invoice is raised by CFS each month and paid by SNZL for the chargeback of these services. The total amount invoiced during the year was \$174,839 (2021: \$126,377). SNZL also charged CFS for insurance costs incurred on behalf of the group as well as directors fees. The total amount invoiced during the year was \$77,419 (2021: \$55,027). The balances outstanding at year end are stated below.

The Company has entered into a service level agreement with SIL to provide its accounting, administrative and IT support. An invoice is raised by CFS each month and paid by SIL for the chargeback of these services. The total amount invoiced during the year was \$84,543 (2021: \$87,004). The balance outstanding at year end is stated below.

Financial Review

Commercial Fisheries Services Limited Notes to the Financial Statements For the year ended 30 September 2022

8 Related Party (continued)

Ngati Mutunga O Wharekauri Asset Holding Company Limited

Tom McClurg Director

The total amount invoiced to Ngati Mutunga O Wharekauri Asset Holding Company Limited during the year was \$1,254 (2021: \$1,673). At balance date Ngati Mutunga O Wharekauri Asset Holding Company Limited owed Commercial Fisheries Limited \$118 (2021: \$115). The transactions were on an arm's length basis.

Maruehi Fisheries Limited

Tom McClurg Director

The total amount invoiced to Maruehi Fisheries Limited during the year was \$158.5 (2021: \$149.79). At balance date Maruehi Fisheries Limited owed Commercial Fisheries Services Limited \$Nil (2021: \$22.96). The transactions were on an arm's length basis.

Port Nicholson Fisheries Limited Partnership

Tom McClurg Director

The total amount invoiced to Port Nicholson Fisheries Limited Partnership during the year was \$7,760 (2021: \$7,680). At balance date Port Nicholson Fisheries Limited Partnership owed Commercial Fisheries Services Limited \$662 (2021: \$647). The transactions were on an arm's length basis.

Toroa Strategy Limited

Tom McClurg Director

The total amount invoiced by Toroa Strategy Limited during the year was \$19,320 (2021: \$16,800). At balance date Commercial Fisheries Limited owed Toroa Strategy Limited \$1,610 (2021: \$3220). The transactions were on an arm's length basis.

Key Management Personnel Compensation

During the year Key Management Personnel received total remuneration of \$971,414 for 5 FTEs (2021: \$861,289 for 4 FTEs)

(c) Related Party Balances-Current

	2022 \$	2021 \$
Receivable from FINNZ	337,837	208,483
Receivable from SIL	7,237	16,688
Receivable from SNZL	19,380	23,760
	<u>364,453</u>	<u>248,932</u>
Payable to FINNZ	7,000	-
Payable to SNZL	43,202	484
	<u>50,202</u>	<u>484</u>

Related Party Balances-Non Current

	2022 \$	2021 \$
Receivable from SNZL	581,973	588,261
Receivable from FINNZ	75,206	75,206
(Payable)/Receivable from SIL	(4,671)	(4,671)
	<u>652,508</u>	<u>658,795</u>

9 Share Capital

The Company is 100% owned by Seafood New Zealand Limited. All shares are fully paid and the profile of its share capital is as follows:

	2022 \$	2021 \$
Ordinary Shares		
Seafood New Zealand Limited	1,000	1,000
Total Share Capital	<u>1,000</u>	<u>1,000</u>

Financial Review

Commercial Fisheries Services Limited Notes to the Financial Statements For the year ended 30 September 2022

9 Share Capital (continued)

(a) Ordinary Shares

1,000 \$1.00 shares issued to Seafood New Zealand Limited.

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

(b) Capital Reserve

In 2005 a gain of \$10,823,988 was transferred to the capital reserve from acquisition of preference shares from the parent. The shares were cancelled on acquisition.

10 Property, Plant & Equipment

	2022 \$	2021 \$
Furniture & Fittings		
Opening Cost	168,591	168,591
Additions	3,297	-
Disposals	(124,588)	-
Closing Cost	<u>47,300</u>	<u>168,591</u>
Opening Accumulated Depreciation	164,770	163,885
Charge for Year	1,174	885
Disposals	(124,588)	-
Closing Accumulated Depreciation	<u>41,356</u>	<u>164,770</u>
Closing Net Book Value	5,944	3,821
Computer Hardware		
Opening Cost	803,009	792,444
Additions	27,424	10,565
Disposals	(229,533)	-
Closing Cost	<u>600,900</u>	<u>803,009</u>
Opening Accumulated Depreciation	767,798	744,737
Charge for Year	26,303	23,061
Disposals	(229,533)	-
Closing Accumulated Depreciation	<u>564,568</u>	<u>767,798</u>
Closing Net Book Value	36,332	35,211
Leasehold Improvements		
Opening Cost	27,032	27,032
Additions	1,112,210	-
Disposals	-	-
Closing Cost	<u>1,139,242</u>	<u>27,032</u>
Opening Accumulated Depreciation	27,031	27,031
Charge for Year	8,189	-
Closing Accumulated Depreciation	<u>35,220</u>	<u>27,031</u>
Closing Net Book Value	1,104,022	0
Office Equipment		
Opening Cost	13,827	12,690
Additions	1,915	1,137
Disposals	(1,758)	-
Closing Cost	<u>13,983</u>	<u>13,827</u>
Opening Accumulated Depreciation	11,400	10,741
Charge for Year	796	660
Disposals	(1,758)	-
Closing Accumulated Depreciation	<u>10,438</u>	<u>11,400</u>
Closing Net Book Value	3,545	2,426

Financial Review

Commercial Fisheries Services Limited Notes to the Financial Statements For the year ended 30 September 2022

10 Property, Plant & Equipment (continued)	2022	2021
	\$	\$
Telecommunications and Cabling		
Opening Cost	114,546	114,546
Additions	19,551	-
Disposals	(89,480)	-
Closing Cost	<u>44,617</u>	<u>114,546</u>
Opening Accumulated Depreciation	112,131	104,335
Charge for Year	6,730	7,795
Disposals	(89,478)	-
Closing Accumulated Depreciation	<u>29,383</u>	<u>112,131</u>
Closing Net Book Value	15,234	2,415
Total Property, Plant & Equipment	<u>1,165,080</u>	<u>43,873</u>
11 Intangible Assets		
	2022	2021
	\$	\$
FMS Software - FishServe		
Opening Cost	8,761,620	8,462,757
Additions	85,544	298,863
Closing Cost	<u>8,847,164</u>	<u>8,761,620</u>
Opening Accumulated Amortisation	5,772,807	4,590,427
Charge for Year	1,240,543	1,182,379
Closing Accumulated Amortisation	<u>7,013,350</u>	<u>5,772,807</u>
Closing Net Book Value	1,833,814	2,988,814
Computer Software		
Opening Cost	633,407	633,407
Disposals	(491,830)	-
Closing Cost	<u>141,578</u>	<u>633,407</u>
Opening Accumulated Amortisation	632,712	628,546
Charge for Year	695	4,166
Disposals	(491,830)	-
Closing Accumulated Amortisation	<u>141,578</u>	<u>632,712</u>
Closing Net Book Value	-	695
FRED		
Opening Cost	5,346	5,346
Closing Cost	<u>5,346</u>	<u>5,346</u>
Opening Accumulated Amortisation	5,346	5,346
Closing Accumulated Amortisation	<u>5,346</u>	<u>5,346</u>
Closing Net Book Value	-	-

Financial Review

Commercial Fisheries Services Limited Notes to the Financial Statements For the year ended 30 September 2022

11 Intangible Assets (continued)	2022 \$	2021 \$
Fishserve Website		
Opening Cost	348,332	348,332
Closing Cost	<u>348,332</u>	<u>348,332</u>
Opening Accumulated Amortisation	348,332	348,332
Closing Accumulated Amortisation	<u>348,332</u>	<u>348,332</u>
Closing Net Book Value	-	-
PIC & RLIC Levy Model Software		
Opening Cost	13,006	13,006
Closing Cost	<u>13,006</u>	<u>13,006</u>
Opening Accumulated Amortisation	13,006	13,006
Closing Accumulated Amortisation	<u>13,006</u>	<u>13,006</u>
Closing Net Book Value	-	-
Catch Effort Data Return Information Capture Software		
Opening Cost	1,484,007	1,484,007
Additions	19,321	-
Disposals	-	-
Closing Cost	<u>1,503,328</u>	<u>1,484,007</u>
Opening Accumulated Amortisation	1,463,282	1,431,072
Charge for Year	13,840	32,210
Closing Accumulated Amortisation	<u>1,477,122</u>	<u>1,463,282</u>
Closing Net Book Value	26,206	20,725
Work in Progress		
Opening Work in Progress	-	17,403
Additional Work in Progress	110,479	281,461
Capitalised to Fixed Assets	(104,865)	(298,863)
Capital Work in Progress	<u>5,614</u>	<u>-</u>
The Company's Capital Work in Progress relates to the development of the FishServe Fisheries Management Software.		
Total Intangible Assets	<u><u>1,865,631</u></u>	<u><u>3,010,232</u></u>

Financial Review

Commercial Fisheries Services Limited Notes to the Financial Statements For the year ended 30 September 2022

12 Trade Creditors and Other Payables under Exchange Transactions

	2022	2021
	\$	\$
Creditors	108,082	92,608
Accruals	94,876	46,091
Total Trade Creditors and Other Payables under Exchange Transactions	<u>202,958</u>	<u>138,699</u>

13 Employee Entitlements

	2022	2021
	\$	\$
Remuneration Owing to Employees	95,135	120,102
Unused Annual Leave Owing to Employees	188,951	187,323
Total Employee Entitlements	<u>284,086</u>	<u>307,424</u>

14 Financial Instruments

(a) Nature of Activities and Management Policies with respect to Financial Instruments

1) Credit Risk

In the normal course of business the Company incurs credit risk from trade debtors and financial institutions. There are no significant concentrations of credit risk from trade debtors. The Company does not require any collateral or security to support financial instruments held with financial institutions.

Maximum Exposures to Credit Risk at Balance Date are:

	2022	2021
	\$	\$
Loans and Receivables		
Trade Debtors	170,262	179,716
Intercompany Receivables	347,285	248,932
Cash and cash equivalents	1,101,669	1,320,941
Total Financial Assets	<u>1,619,215</u>	<u>1,749,589</u>

Financial Liabilities at Amortised Cost

Trade creditors and other payables under exchange transactions	202,958	138,699
Intercompany Payable	50,202	484
Fees & Levies in Advance	137,363	69,781
Customer Deposits in Advance	48,357	40,138
Total Financial Liabilities	<u>438,880</u>	<u>249,102</u>

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts. No impairment has occurred on trade debtors and receivables.

2) Currency Risk and Interest Rate Risk

The Company has no exposure to currency risk and interest rate risk is considered minimal.

3) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

(b) Fair Value

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Financial Review

Commercial Fisheries Services Limited Notes to the Financial Statements For the year ended 30 September 2022

15 Operating Lease Commitments

	2022	2021
	\$	\$
Less than one year	670,812	-
Between one and five years	2,683,248	-
Greater than five years	2,349,705	-
Total Operating and Lease Commitments	<u>5,703,765</u>	<u>-</u>

16 Investment in Subsidiaries

	2022	2021
	\$	\$
Number of shares held	550,000	550,000
Percentage held	100%	100%
Investment in Fishserve Innovations New Zealand Limited	550,000	287,040
Impairment of Investment in Subsidiary	(297,657)	-
Reversal of Impairment in Subsidiary	-	262,960
Total investment	<u>252,343</u>	<u>550,000</u>

17 Contingent Liabilities

There are no contingent liabilities as at balance date. (2021: Nil)

18 Subsequent Events

No significant events have occurred since 30 September 2022.

Financial Review



BDO Wellington Audit Limited

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF COMMERCIAL FISHERIES SERVICES LIMITED

Opinion

We have audited the financial statements of Commercial Fisheries Services Limited "the Company", which comprise the statement of financial position as at 30 September 2022, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2022, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information contained in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Financial Review



BDO Wellington Audit Limited

Directors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>.

This description forms part of our auditor's report.

Who we Report to

This report is made solely to the Company's shareholder, as a body. Our audit work has been undertaken so that we might state those matters which 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 shareholder, as a body, for our audit work, for this report or for the opinions we have formed.

BDO Wellington Audit Limited

BDO WELLINGTON AUDIT LIMITED

Wellington
New Zealand
22 December 2022



FishServe

www.fishserve.co.nz

Floor 12, 7 Waterloo Quay, Pipitea, Wellington