

**HUON AQUACULTURE GROUP LIMITED  
AND CONTROLLED ENTITIES**

**(Formerly Huon Aquaculture Group Pty Ltd)**

**ABN 79 114 456 781**

**Financial Report For The Year Ended  
30 June 2014**

# **HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**

**(Formerly Huon Aquaculture Group Pty Ltd)**

## **Financial Report For The Year Ended 30 June 2014**

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**HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**  
**(Formerly Huon Aquaculture Group Pty Ltd)**  
**DIRECTORS' REPORT**

Your directors present their report on the consolidated entity (referred to hereafter as the consolidated group), consisting of Huon Aquaculture Group Limited and the entities it controlled at the end of, or during, the financial year ended 30 June 2014.

**Directors**

The names of the directors in office at any time during, or since the end of, the year are:

Peter Bender  
Frances Bender  
Peter Margin appointed (5/08/2014)  
Neil Kearney appointed (5/08/2014)  
Simon Lester appointed (4/08/2014)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Change to company name and status**

On 12th September 2014 Huon Aquaculture Group Pty Ltd changed its name to Huon Aquaculture Group Limited. At the same time the company changed its status from a proprietary company to an unlisted public company.

**Review of Operations**

The net profit of the consolidated group for the financial year after providing for income tax amounted to \$33,797,365.

A review of the operations of the consolidated group during the financial year and the results of those operations shows that the consolidated group's harvest volume increased by 12.3% in FY2014 to 15.2 million kg. This was primarily due to a reduction in mortalities at the consolidated group's Southern Farms as a result of initiatives implemented by the consolidated group such as investing in operations and capital to reduce interactions between predators and fish (reducing losses and stress).

Revenue growth of 24% was driven by both an increased harvest volume (discussed above) and improved average pricing as a result of improved customer and channel mix as well as an increase in pricing in late FY2013 with the full year impact realised in FY2014. The improved channel mix was driven by a 42% increase in domestic fresh salmon sales. Consumption of salmon in Australia continued to grow strongly enabling the consolidated group to further optimise channel mix by increasing domestic sales at the expense of exports and enjoying the associated price premium. Revenue per kg increased from \$11.27 in FY2013 to \$12.43 in FY2014.

Net profit after tax increased from \$13,541,968 in FY2013 to \$33,797,365 in FY2014 reflecting improved channel mix which increased the consolidated group's average price (discussed above) and further improvements in farming practices and operating efficiencies particularly in relation to mortalities. Freight costs also fell as the consolidated group continued to reduce exports. The consolidated group's finance costs reduced by 25.2% as a result of better utilisation of debt facilities and reductions in interest rates.

In FY2014 the consolidated group commenced its Controlled Growth Strategy which resulted in capital expenditure increasing from \$10.7m in FY2013 to \$44.9m.

**Significant Changes in the State of Affairs**

The consolidated group is transferring its Mount Barker value added processing facility into the existing Parramatta Creek site at the end of the current lease term (April 2015) of the Mount Barker site. No other significant changes in the consolidated group's state of affairs have occurred during the financial year.

**Principal Activities**

The principal activities of the consolidated group during the financial year was the farming, processing, marketing and sale of salmon. No significant change in the nature of these activities occurred during the year.

**Events Subsequent to the End of the Reporting Period**

On 29 August 2014, a contract was entered into between a related entity and Huon Aquaculture Company Pty Ltd to purchase leased assets and marine farming leases from the related entity. The purchase amount is \$5,305,000 and the existing lease agreements will be cancelled.

On 10 September 2014, a contract was entered into between a related entity and Huon Aquaculture Company Pty Ltd to purchase unlisted securities from the related entity. The purchase consideration is for \$488,700.

Refer also to likely developments and expected results of operations. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

**HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**  
**(Formerly Huon Aquaculture Group Pty Ltd)**  
**DIRECTORS' REPORT**

**Likely Developments and Expected Results of Operations**

Likely developments in the operations of the consolidated group that were not finalised at the date of this report include a proposed initial public offering by Huon Aquaculture Group Limited to provide primary capital to support future growth plans and improve future ongoing access to capital.

Further information on likely developments in the operations of the consolidated group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated group.

**Environmental Regulation**

The consolidated group's operations are subject to Federal, State and Local environmental laws and regulations and affect nearly all of the consolidated group's operations and failure to comply with such laws could result in penalties, damages and / or loss of permits or licences required by the consolidated group to operate its hatcheries, marine farms or processing facilities.

The consolidated group and external parties continuously monitor operations for environmental, occupational health and safety, quarantine, customs, and tariff and taxation laws and sustainability compliance. It is central to the consolidated group's philosophy to minimise the impact of its operations on the environment and maintain a sustainable operational footprint.

The Directors believe that all regulations have been materially met and are not aware of any significant non-compliance from the operations of the consolidated group during the financial year.

**Dividends**

A fully franked dividend of \$1,000,000 was declared on 5th June 2014 for payment on 16 June 2014.

No dividends were declared or paid during the 2013 financial year.

**Options**

No options over issued shares or interests in the company or a controlled group were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

**Insurance of Officers**

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company against a liability incurred as such a director to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

**Proceedings on Behalf of Company**

No person has applied for leave of Court (under section 237 of the Corporations Act 2001) to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

**Auditor**

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

**HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**  
**(Formerly Huon Aquaculture Group Pty Ltd)**  
**DIRECTORS' REPORT**

**Information on Directors**

Peter Bender *Chief Executive Officer & Managing Director*

- Founder of Huon Aquaculture with over 28 years' experience in fish farming operations
- Peter is responsible for the leadership, operations and strategic direction of the group and has always been committed to delivering high quality salmon that is raised responsibly. He sets business strategy and leads the executive team to deliver growth
- He is well recognised for farming innovation both in Australia and internationally and his extensive knowledge of aquaculture coupled with a strong continuous improvement ethic is the foundation on which the group's success is built
- Peter was born into a Tasmanian business family with farming and agribusiness interests and has a strong background in land-based farm management. The principles that guide land-based farming of keeping the stock well-fed, stress-free and healthy are the central tenets that Peter has successfully transferred to aquaculture
- He was named E&Y's Entrepreneur of the Year in the Retail, Consumer and Industrial Products category within the Southern Regional Division (CY2007)

Frances Bender *Non-executive Director*

- Founder of Huon Aquaculture with over 30 years' experience in fish farming operations
- Frances provides the group a leading voice in both local, national and international industry, regulatory and stakeholder forums. She was a keynote speaker at the 2014 World Aquaculture Forum in Adelaide and led the industry's response to the (former) Federal Government's Biosecurity Bill
- She is passionate about the community, community support and capacity building for the regions in which the group operate, demonstrated through the implementation of the group's "Helping Hand" community grants program
- Frances has been instrumental in the design of the Huon brand and its marketing direction and will continue to be responsible for these areas after ASX listing
- She has also fulfilled various roles with the group from payroll, HR, accounts and customer service and continues to provide active leadership and guidance in these areas
- Frances was nominated in the Pride of Australia Medal's environment category in 2014
- She was also voted Tasmanian RIRDC Rural Woman of the Year in 2001
- Frances was awarded Centenary Medal for service to agribusiness and community in 2001

Peter Margin *Non-executive Chairman*

- Peter has many years of leadership experience in major Australian and international food companies
- His most recent role was Chief Executive Officer of ASX-listed company Goodman Fielder Limited and before that Peter was Chief Executive Officer and Chief Operating Officer of National Foods Limited
- Peter has also held senior management roles in Simplot Australia Limited, Pacific Brands Limited, East Asiatic Company and HJ Heinz Company Australia Limited
- Peter holds a Bachelor of Science from the University of New South Wales and a Master of Business Administration from Monash University

Neil Kearney *Non-executive Director*

- Neil has significant leadership experience in major Australian and international food companies with senior roles at Goodman Fielder Limited and National Foods Limited
- His most recent role was Chief Strategy Officer of ASX-listed company Goodman Fielder Limited from 2011 – 2014 and before that he was Chief Executive Officer and Managing Director of Warrnambool Cheese & Butter Factory Co. Holdings Limited from 2007 - 2009
- Neil holds a Bachelor of Economics (Monash) and Advanced Management Program INSEAD

Simon Lester *Non-executive Director*

- Simon has been an adviser to Huon since 1994, with extensive experience with the salmon industry
- He has 30 years' experience in corporate finance and corporate tax, having advised the Tasmanian Government and State owned business enterprises
- His former roles include Partnership at Deloitte Touche Tohmatsu and PBS Partner as well as senior management roles at Pricewaterhouse and KPMG
- Member of Financial Services Institute of Australasia, Institute of Chartered Accountants in Australia, The Tax Institute and Australian Risk Policy Institute
- Simon is a Chartered Accountant with the Institute of Chartered Accountants in Australia with a Bachelor of Commerce from the University of Tasmania, Master of Applied Finance and Investment from the Financial Services Institute of Australasia and Chartered Tax Adviser from The Tax Institute

**HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**  
**(Formerly Huon Aquaculture Group Pty Ltd)**  
**DIRECTORS' REPORT**

Tom Haselgrove

*Company Secretary*

- 20 years' experience within audit, statutory accounting and commerce and joined Huon in 2006
- Tom manages Huon's financial strategy, control and compliance and communicating financial results to the management team. His role also includes treasury, compliance, statutory, tax and audit and company secretarial duties
- Tom holds a Bachelor of Economics from the University of Adelaide and is a Chartered Accountant

**Meetings of directors and Board of management**

The numbers of meetings of the company's board of directors and board of management held during the financial period ended 30 June 2014, and the number of meetings attended by each director and board of management member were:

	Full meetings of directors		Meetings of Board of Management	
	A	B	A	B
Mr Peter Bender	1	1	9	9
Mrs Frances Bender	1	1	9	9
Mr Philip Wiese	*	*	9	9
Mr Tom Haselgrove	*	*	9	9
Mr David Cahill	*	*	9	9
Mr Scott Nolan	*	*	9	9
Mr Charles Hughes	*	*	9	9
Mr Gregg Flower	*	*	9	9
Mr James Bender	*	*	9	9

A = Number of meetings held

B = Number of meetings held during the time the director held office or was a member of the committee during the period

\* = Not a director of Huon Aquaculture Group Limited

This directors' report is signed in accordance with a resolution of the Board of Directors:



**Peter Bender**

Director

Melbourne

Dated this 3rd day of October 2014



### ***Auditor's Independence Declaration***

As lead auditor for the audit of Huon Aquaculture Group Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Huon Aquaculture Group Limited and the entities it controlled during the year.

A handwritten signature in black ink that reads 'Daniel Rosenberg'.

Daniel Rosenberg  
Partner  
PricewaterhouseCoopers

Melbourne  
3 October 2014

**HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**  
**(Formerly Huon Aquaculture Group Pty Ltd)**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

		2014	2013
			* Restated
	Note	\$	\$
Revenue	4(a)	188,732,685	152,224,694
Other income	4(b)	6,377,860	3,392,547
Fair value adjustment of biological assets		4,489,742	1,396,333
Changes in inventories of finished goods and work in progress		17,089,300	8,675,494
Raw materials and consumables used		(93,686,537)	(76,001,767)
Employee benefits expense	4(c)	(42,804,750)	(35,274,603)
Depreciation and amortisation expense	4(c)	(7,930,374)	(9,498,981)
Finance costs	4(c)	(3,601,311)	(4,814,624)
Freight & Distribution expense		(8,676,887)	(9,265,133)
Other expenses		(12,463,732)	(10,683,601)
<b>Profit before income tax expense</b>		<b>47,525,996</b>	<b>20,150,359</b>
Income tax expense	5(a)	(13,728,631)	(6,608,391)
<b>Net profit for the period attributable to members of the Company</b>		<b>33,797,365</b>	<b>13,541,968</b>

During the 2014 year, the consolidated group assessed its accounting policy with respect to marine leases. As a consequence, the marine leases had been incorrectly accounted for as indefinite life assets at fair value. The marine leases will now be accounted for at cost and amortised over the term of the lease.

\* See note 2 for details regarding the restatement as a result of an error.

The above consolidated income statement should be read in conjunction with the accompanying notes.



**HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**  
**(Formerly Huon Aquaculture Group Pty Ltd)**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013 * Restated
	\$	\$
Profit for the period	33,797,365	13,541,968
Other comprehensive income as reported in the 2013 financial statements	-	1,400,000
Correction of error (net of tax)	-	(1,400,000)
<b>Restated other comprehensive income for the period (net of tax)</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income attributable to:</b>		
<b>Owners of the parent</b>	<u>33,797,365</u>	<u>13,541,968</u>
	<u><u>33,797,365</u></u>	<u><u>13,541,968</u></u>

During the 2014 year, the consolidated group assessed its accounting policy with respect to marine leases. As a consequence, the marine leases had been incorrectly accounted for as indefinite life assets at fair value. The marine leases will now be accounted for at cost and amortised over the term of the lease.

\* See note 2 for details regarding the restatement as a result of an error.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**  
**(Formerly Huon Aquaculture Group Pty Ltd)**  
**CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2014**

		2014	2013	1 July 2012
	Note	\$	* Restated \$	* Restated \$
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	9	2,215,489	1,784,909	443,265
Trade and other receivables	10	20,584,732	17,547,125	12,836,434
Inventories	11	5,146,517	4,646,641	4,128,677
Biological assets	12	122,834,561	101,755,397	92,201,533
Other financial assets	13	-	113,123	234,444
Other assets	14	2,590,190	2,276,242	1,352,990
<b>TOTAL CURRENT ASSETS</b>		<b>153,371,489</b>	<b>128,123,437</b>	<b>111,197,343</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets	15	852,764	5,553,022	853,048
Property, plant and equipment	17	95,444,432	54,009,002	51,205,391
Other assets	20	8,114,722	8,410,847	8,769,186
Intangible assets	18,19	2,707,501	2,707,501	4,060,104
<b>TOTAL NON-CURRENT ASSETS</b>		<b>107,119,419</b>	<b>70,680,372</b>	<b>64,887,729</b>
<b>TOTAL ASSETS</b>		<b>260,490,908</b>	<b>198,803,809</b>	<b>176,085,072</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	21	35,158,698	22,261,549	19,658,608
Borrowings	22	6,215,549	6,153,245	62,586,128
Other financial liabilities	24	58,224	-	-
Current tax liabilities	25	7,808,925	1,113,463	-
Provisions	23	4,368,322	3,560,641	2,754,879
<b>TOTAL CURRENT LIABILITIES</b>		<b>53,609,718</b>	<b>33,088,898</b>	<b>84,999,615</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	22	60,473,234	57,152,731	1,477,300
Deferred tax liabilities	25	35,255,595	30,533,387	25,517,389
Provisions	23	1,229,062	902,859	506,802
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>96,957,891</b>	<b>88,588,977</b>	<b>27,501,491</b>
<b>TOTAL LIABILITIES</b>		<b>150,567,609</b>	<b>121,677,875</b>	<b>112,501,106</b>
<b>NET ASSETS</b>		<b>109,923,299</b>	<b>77,125,934</b>	<b>63,583,966</b>
<b>EQUITY</b>				
Contributed equity	26	42,937,368	42,937,368	42,937,368
Retained earnings		66,985,931	34,188,566	20,646,598
<b>TOTAL EQUITY</b>		<b>109,923,299</b>	<b>77,125,934</b>	<b>63,583,966</b>

During the 2014 year, the consolidated group assessed its accounting policy with respect to marine leases. As a consequence, the marine leases had been incorrectly accounted for as indefinite life assets at fair value. The marine leases will now be accounted for at cost and amortised over the term of the lease.

\* See note 2 for details regarding the restatement as a result of an error.

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

**HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**  
**(Formerly Huon Aquaculture Group Pty Ltd)**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Contributed Equity \$	Retained Earnings \$	Asset Revaluation Reserve \$	Total Equity \$
<b>Consolidated</b>					
<b>Balance at 1 July 2012</b>		42,937,368	37,330,406	18,778,464	99,046,238
Correction of error (net of tax)	2	-	(16,683,808)	(18,778,464)	(35,462,272)
<b>Restated total equity at the beginning of the financial year</b>		42,937,368	20,646,598	-	63,583,966
Profit for the period as reported in the 2013 financial statements		-	13,792,806	-	13,792,806
Correction of error (net of tax)	2	-	(250,838)	-	(250,838)
<b>Restated profit for the period</b>		-	13,541,968	-	13,541,968
Other comprehensive income as reported in the 2013 financial statements		-	1,400,000	-	1,400,000
Correction of error (net of tax)	2	-	(1,400,000)	-	(1,400,000)
<b>Restated Other comprehensive income for the period</b>		-	-	-	-
<b>Total comprehensive income for the period</b>		-	13,541,968	-	13,541,968
<b>Balance at 30 June 2013</b>		42,937,368	34,188,566	-	77,125,934
<b>Balance at 1 July 2013</b>		42,937,368	34,188,566	-	77,125,934
<b>Comprehensive income</b>					
Profit for the period		-	33,797,365	-	33,797,365
<b>Total comprehensive income for the period</b>		-	33,797,365	-	33,797,365
Dividends paid or provided for	8	-	(1,000,000)	-	(1,000,000)
<b>Balance at 30 June 2014</b>		42,937,368	66,985,931	-	109,923,299

During the 2014 year, the consolidated group assessed its accounting policy with respect to marine leases. As a consequence, the marine leases had been incorrectly accounted for as indefinite life assets at fair value. The marine leases will now be accounted for at cost and amortised over the term of the lease.

\* See note 2 for details regarding the restatement as a result of an error.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**  
**(Formerly Huon Aquaculture Group Pty Ltd)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		191,004,669	153,045,912
Interest received		381,129	64,958
Payments to suppliers and employees		(142,651,598)	(130,115,294)
Finance costs		(3,567,399)	(5,054,671)
Income tax (paid)/refunded		(2,310,960)	(459,092)
Net cash provided by/(used in) operating activities	29	<u>42,855,841</u>	<u>17,481,813</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		66,841	380
Purchase of property, plant and equipment		(44,874,908)	(10,683,097)
Loan payments made to related parties		-	(4,700,000)
Net cash provided by/(used in) investing activities		<u>(44,808,067)</u>	<u>(15,382,717)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		10,096,170	23,467,899
Repayment of borrowings		(6,713,364)	(24,225,352)
Dividends paid		(1,000,000)	-
Net cash provided by/(used in) financing activities		<u>2,382,806</u>	<u>(757,453)</u>
Net increase/(decrease) in cash held		430,580	1,341,643
Cash and cash equivalents at beginning of financial year		1,784,909	443,266
Cash and cash equivalents at end of financial year	9	<u><u>2,215,489</u></u>	<u><u>1,784,909</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**  
**(Formerly Huon Aquaculture Group Pty Ltd)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

These consolidated financial statements and notes represent those of Huon Aquaculture Group Limited and Controlled Entities (the 'consolidated group'). Huon Aquaculture Group Limited is a company limited by shares, incorporated and domiciled in Australia.

On 12th September 2014 Huon Aquaculture Group Pty Ltd changed its name to Huon Aquaculture Group Limited. At the same time the company changed its status from a proprietary company to an unlisted public company.

The separate financial statements and notes of Huon Aquaculture Group Limited have been presented within this financial report as an individual parent entity ('Parent Entity').

The financial statements were authorised for issue on 3rd October 2014 by the directors of the company.

**Note 1 Summary of Significant Accounting Policies**

**Basis of Preparation**

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements except for cash flow information, have been prepared on an accruals basis and are based on historical costs (unless otherwise stated). The amounts presented in the financial statements have been rounded to the nearest dollar.

**(a) Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Huon Aquaculture Group Limited (parent entity) as at 30 June 2014 and the results of all subsidiaries for the year then ended. Huon Aquaculture Group Limited and its subsidiaries together are referred to in this financial report as the consolidated group.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

**Business Combinations**

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations other than those associated with the issue of a financial instrument are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**Goodwill**

Goodwill acquired in a business combination is initially measured at fair value, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its deemed cost less any impairment losses.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the consolidated group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

**(b) Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Huon Aquaculture Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the company in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**Note 1 Summary of Significant Accounting Policies (cont)**

**(c) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

**(d) Biological Assets**

Biological assets include broodstock, eggs, juveniles, smolt and live finfish. Biological assets are measured at fair value less costs to sell in accordance with AASB 141. Where fair value cannot be reliably measured they are measured at cost less impairment losses.

For broodstock, eggs, juveniles, smolt and live fish below 1 kg are measured at cost, as the fair value cannot be measured reliably. Live fish between 1 kg and 4kg is measured at fair value less cost to sell, including a proportionate expected net profit at harvest. Live fish above 4kg are measured to fair value less cost to sell.

The valuation is completed for each year class of finfish for each species and each significant location and takes into consideration input based on biomass in sea, estimated growth rate and mortality. The market prices are derived from observable market prices (when available), achieved prices and estimated future prices for harvest finfish. The prices are reduced for harvesting costs and freight costs to market, to arrive at a net fair value at farm gate.

The change in estimated fair value is charged to the income statement on a separate line as fair value adjustment of biological assets.

**(e) Property, Plant and Equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated group and the cost of the item can be measured reliably.

Assets are derecognised when replaced. All other repairs and maintenance are charged to the profit and loss during the period in which they are incurred.

Land is not depreciated.

The following estimated useful lives are used in the calculation of depreciation:

Class of Fixed Asset	Useful Life
Buildings	25 - 50 years
Leasehold improvements	5 - 10 years
Plant and equipment	5 - 15 years
Leased plant and equipment	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**(f) Marine Leases**

Marine farming leases are recorded at cost. Amortisation expense is charged through the profit or loss statement relating to these assets.

**(g) Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**(h) Financial Instruments**

The consolidated group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward foreign exchange contracts. The derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of the derivative financial instruments are recognised immediately in profit or loss.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

**Initial Recognition and Measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are recognised as expenses in profit or loss immediately.

**Classification and Subsequent Measurement**

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

**(i) Financial assets at fair value through profit or loss**

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

**(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

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**Note 1 Summary of Significant Accounting Policies (cont)**

**(iv) Financial Liabilities**

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Impairment**

At the end of each reporting period, the consolidated group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the consolidated group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(i) Impairment of Assets**

At the end of each reporting period, the consolidated group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

**(j) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the consolidated group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**(k) Provisions**

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**(l) Foreign Currency Transactions and Balances**

**Functional and presentation currency**

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the consolidated group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the consolidated group's foreign currency translation reserve in the statement of financial position via other comprehensive income. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**Note 1 Summary of Significant Accounting Policies (cont)**

**(m) Employee Benefits**

**Short-term employee benefits**

Provision is made for the consolidated group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The consolidated group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

**Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The consolidated group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the consolidated group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**(n) Provisions**

Provisions are recognised when the consolidated group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**(o) Cash and Cash Equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(p) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

The consolidated group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the consolidated group and specific criteria have been met for each of the consolidated group's activities as described below. The consolidated group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest income is recognised using the effective interest method. When a receivable is impaired, the consolidated group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

All revenue is stated net of the amount of goods and services tax.

**(q) Government Grants**

Government grants are assistance by the government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the consolidated entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the consolidated entity other than the requirement to operate in certain regions or industry sectors.

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income of the period in which it becomes receivable.

Government grants relating to assets are treated as deferred income and recognised in profit and loss over the expected useful lives of the assets concerned.

**(r) Trade receivables**

Trade receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the consolidated group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the assets's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

**(s) Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the consolidated group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**(t) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(u) Parent entity financial information**

The financial information for the parent entity, Huon Aquaculture Group Limited, disclosed in note 3 has been prepared on the same basis as the consolidated financial statements, except as set out below.

*Investments in subsidiaries, associates, and joint venture entities*

Investments in subsidiaries, associates, and joint venture entities are accounted for at cost in the financial statements of Huon Aquaculture Group Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

*Tax consolidation legislation*

Huon Aquaculture Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Huon Aquaculture Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.



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**Note 1 Summary of Significant Accounting Policies (cont)**

In addition to its own current and deferred tax amounts, Huon Aquaculture Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered a tax funding agreement under which the wholly-owned entities fully compensate Huon Aquaculture Group Limited for any current tax payable assumed and are compensated by Huon Aquaculture Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Huon Aquaculture Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the consolidated group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

**(v) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

**(w) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the consolidated group retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

**(x) Contributed Equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Huon Aquaculture Group Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Huon Aquaculture Group Limited.

**(y) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the consolidated group, on or before the end of the reporting period but not distributed at the end of the reporting period.

**(z) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

**(aa) New and amended accounting policies adopted by the Consolidated Group**

*Consolidated financial statements*

The consolidated group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013.

- AASB 10: *Consolidated Financial Statements*;
- AASB 12: *Disclosure of Interests in Other Entities*;
- AASB 13 *Fair Value Measurement*; and

AASB 10 provides a revised definition of 'control' and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous Accounting Pronouncements.

The consolidated group has applied these Accounting Standards with retrospective effect in accordance with their transition requirements. The consolidated group has:

- presented quantitative information of the comparative period reflecting the adoption of AASB 10; and
- with respect to any previously unconsolidated investee that is a business, measured the assets, liabilities and non-controlling interests as if the investee had been consolidated in accordance with the applicable version of AASB 3: Business Combinations from the date when the consolidated group gained control of the investee. When the date that control was obtained was earlier than the beginning of the immediately preceding period, the consolidated group recognises, as an adjustment to equity at the beginning of the comparative period, any difference between:
  - the amount of assets, liabilities and non-controlling interests recognised; and
  - the previous carrying amount of the consolidated group's involvement with the investee.

The consolidated group assessed its interests in other entities and concluded that its accounting for the arrangements under AASB 10 would not change from the consolidated group's accounting for its interests in other entities under AASB 127. Accordingly, no new subsidiaries were required to be consolidated as a consequence of applying AASB 10. Nevertheless, AASB 12 requires enhanced disclosures regarding interests in subsidiaries, which are provided in Note 16.

AASB 13 defines fair value as 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 (exit price). It also provides guidance on how fair value should be measured. Huon Aquaculture Group Pty Ltd will need to review their fair value measurements and determine whether any of the techniques used may have to change as a result of the new guidance.

• There are also enhanced disclosure requirements that could result in significantly more work for Huon Aquaculture Group Limited. These requirements are similar to those in AASB 7 Financial Instruments: Disclosures, but apply to all assets and liabilities measured at fair value, not just financial ones.

*Employee benefits*

The consolidated group adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The consolidated group has applied these Standards retrospectively in accordance with AASB 108 and the transitional provisions of AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. Previously, annual leave satisfied the definition of short-term employee benefits and therefore the leave liability was measured on an undiscounted basis at the amounts expected to be paid when the liability is settled. However, under AASB 119 (September 2011), as the consolidated group expects that most employees will not use all of their annual leave entitlements in the same year in which they are earned or during the following 12 month period, obligations for annual leave entitlements meet the definition of other long-term employee benefits and, therefore, are required to be measured at the present value of the expected future payments to be made to employees.

The effects of the adjustments required for each period presented are set out in the table below. Note, however, that these changes do not impact the classification of leave entitlements between current and non-current liabilities in the statement of financial position. The change in accounting policy had no material impact on the parent entity's separate financial statements.

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**Note 1 Summary of Significant Accounting Policies (cont)**

Obligations for termination benefits are now recognised at the earlier of:

- the date when the entity can no longer withdraw an offer of termination benefits; and
- when the entity recognises costs for restructuring pursuant to AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits.

Furthermore, obligations for termination benefits are now required to be accounted for in accordance with the requirements for post-employment benefits when the benefits are an enhancement to post-employment benefits. Otherwise, the benefits are to be accounted for in accordance with the requirements for short-term or long-term employee benefits, depending on whether they are expected to be settled wholly before 12 months after the end of the reporting period. Previously, the consolidated group had recognised obligations for termination benefits only when it was demonstrably committed to a termination program, which would involve the consolidated group having a detailed formal plan for the termination program without a realistic possibility of withdrawal. In addition, the consolidated group had accounted for obligations for termination benefits in accordance with the requirements applicable to obligations for other long-term employee benefits.

As at 30 June 2014, the consolidated group recognised no provisions for termination benefits (2013: nil). Accordingly, adoption of the changes to termination benefits in AASB 119 (September 2011) and AASB 2011-10 did not have a material impact on the amounts recognised in the consolidated group's financial statements.

AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014). This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the consolidated group's financial statements. The consolidated group has decided to early adopt this amended Accounting Standard.

**(ab) Critical Accounting Estimates and Judgments**

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Key estimates**

**(i) Biological assets**

Biological assets are measured at fair value less costs to sell in accordance with AASB 141. Broodstock, eggs, juveniles, smolt and live fish below 1 kg are measured at cost, as the fair value cannot be measured reliably. Biomass beyond this is measured at fair value in accordance with AASB 141, and the measurement is categorised into Level 3 in the fair value hierarchy, as the input is an unobservable input. Live fish over 4kg are measured to fair value less cost to sell, while a proportionate expected net profit at harvest is incorporated for live fish between 1 kg and 4kg. The valuation is completed for each year class of finfish for each species and each significant location.

The valuation is based on an income approach and takes into consideration unobservable input based on biomass in sea for each significant location, estimated growth rates, mortality, costs and market price. There is no effective market for live finfish produced by the consolidated group so market price is determined on a model based on market prices for both salmon and trout, derived from observable market prices (when available) and achieved prices.

**(ii) Derivatives**

The fair value of forward exchange contracts is determined using forward exchange rates at the balance sheet date.

When selecting a valuation technique, the consolidated group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

To provide an indication about the reliability of the inputs used in determining fair value, the consolidated group has classified its assets at fair value into three levels prescribed under accounting standards. An explanation of each level follows underneath the table.

**(iii) Goodwill**

The consolidated group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1 (a). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions regarding gross margins growth rates and discount rates applicable to each CGU.

**(ac) New Accounting Standards for Application in Future Periods**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the consolidated group. The consolidated group's adoption and assessment of the new and amended pronouncements that are relevant to the consolidated group, but applicable in future reporting periods, is set out below:

- AASB 9: Financial Instruments (December 2010) and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

These Standards will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the consolidated group on initial application of AASB 9 and associated Amending Standards include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective. The consolidated group has not yet decided to adopt AASB 9.

- Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the consolidated group's financial statements and the consolidated group has not yet decided to adopt the interpretation.

- AASB 2013-4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-4 makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the consolidated group's financial statements and the consolidated group has not yet decided to adopt the amendment.

- IFRS 15: Revenue from contracts with customers. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The core principle in that framework is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard is not expected to significantly impact the consolidated group's current policy for revenue recognition (applicable for annual reporting periods commencing on or after 1 January 2017). The consolidated group has not yet decided to adopt IFRS15.

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**Note 2 Correction of error in prior period**

During the 2014 year, the consolidated group assessed its accounting policy with respect to marine leases. As a consequence, the marine leases had been incorrectly accounted for as indefinite life assets at fair value. The marine leases will now be accounted for at cost and amortised over the term of the lease. Further details on the accounting policy are outlined in note 1(f).

The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

	30 June 2013 \$	Increase / (Decrease) \$	30 June 2013 (Restated) \$	30 June 2012 \$	Increase / (Decrease) \$	1 July 2012 (Restated) \$
<b>Balance sheet (extract)</b>						
Other assets	56,308,174	(47,897,327)	8,410,847	54,308,174	(45,538,988)	8,769,186
Deferred tax liabilities	(43,374,220)	10,784,218	(32,590,002)	(37,800,296)	10,076,716	(27,723,580)
<b>NET ASSETS</b>	<b>114,239,043</b>	<b>(37,113,109)</b>	<b>77,125,934</b>	<b>99,046,238</b>	<b>(35,462,272)</b>	<b>63,583,966</b>
Asset revaluation reserve	20,178,463	(20,178,463)	-	18,778,464	(18,778,464)	-
Retained earnings	51,123,212	(16,934,646)	34,188,566	37,330,406	(16,683,808)	20,646,598
<b>TOTAL EQUITY</b>	<b>114,239,043</b>	<b>(37,113,109)</b>	<b>77,125,934</b>	<b>99,046,238</b>	<b>(35,462,272)</b>	<b>63,583,966</b>

	2013 \$	Profit Increase / (Decrease) \$	2013 (Restated) \$
<b>Income statement (extract)</b>			
Depreciation and amortisation expense	(9,140,641)	(358,340)	(9,498,981)
<b>Profit before income tax expense</b>	<b>20,508,699</b>	<b>(358,340)</b>	<b>20,150,359</b>
Income tax expense	(6,715,893)	107,502	(6,608,391)
<b>Net profit for the period attributable to members of the Company</b>	<b>13,792,806</b>	<b>(250,838)</b>	<b>13,541,968</b>

	2013 \$	Profit Increase / (Decrease) \$	2013 (Restated) \$
<b>Statement of comprehensive income (extract)</b>			
<b>Profit for the period</b>	<b>13,792,806</b>	<b>(250,838)</b>	<b>13,541,968</b>
Other comprehensive income for the period	1,400,000	(1,400,000)	-
<b>Total comprehensive income for the period (net of tax)</b>	<b>1,400,000</b>	<b>(1,400,000)</b>	<b>-</b>

	2013 \$	Profit Increase / (Decrease) \$	2013 (Restated) \$
<b>Total comprehensive income attributable to: Owners of the parent</b>	<b>15,192,806</b>	<b>(1,650,838)</b>	<b>13,541,968</b>

The restatement did not impact any cash or cash equivalents.

**Note 3 Parent Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2014 \$	2013 \$
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current Assets	-	-
Non-current Assets	55,319,882	53,514,240
<b>TOTAL ASSETS</b>	<b>55,319,882</b>	<b>53,514,240</b>
<b>LIABILITIES</b>		
Current Liabilities	7,808,925	5,003,283
Non-current Liabilities	-	-
<b>TOTAL LIABILITIES</b>	<b>7,808,925</b>	<b>5,003,283</b>
<b>EQUITY</b>		
Issued Capital	42,937,368	42,937,368
Retained earnings	5,573,589	5,573,589
Dividends provided for or paid	(1,000,000)	-
<b>TOTAL EQUITY</b>	<b>47,510,957</b>	<b>48,510,957</b>
<b>FINANCIAL PERFORMANCE</b>		
Profit for the period	-	970,713
Total comprehensive income	-	970,713

The parent entity's total comprehensive income for the 2014 period was nil (2013: \$970,713)

**Guarantees**

Huon Aquaculture Group Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

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**Note 4 Profit for the Year Before Tax**

Profit before income tax from continuing operations includes the following specific expenses:

		Consolidated	
	Note	2014 \$	2013 \$
(a) Revenue:			
— Revenue from the sale of goods		188,351,556	152,159,736
— Interest		381,129	64,958
Total revenue		<u>188,732,685</u>	<u>152,224,694</u>
(b) Other income:			
— Rental income		72,752	70,726
— Government grants received		12,337	489,069
— Rebates and freight income		3,043,588	2,429,051
— Other		3,249,183	403,701
Total other income		<u>6,377,860</u>	<u>3,392,547</u>
(c) Expenses:			
— Gross Depreciation of non-current assets		7,634,249	7,788,036
— Gross Amortisation of non-current assets		296,125	1,710,945
Gross depreciation and amortisation		<u>7,930,374</u>	<u>9,498,981</u>
— Depreciation - net impact recognised in changes in inventories of finished goods and work in progress		135,984	94,085
Net depreciation and amortisation		<u>8,066,358</u>	<u>9,593,066</u>
— Interest & fees - other entities		3,579,533	4,293,064
— Finance lease charges		21,778	521,560
Total finance costs		<u>3,601,311</u>	<u>4,814,624</u>
— Employee benefits expense		41,587,521	35,274,603
— Mount Barker site rationalisation		1,217,229	-
Total employee benefits costs		<u>42,804,750</u>	<u>35,274,603</u>
— net (gain) / loss on disposal of property, plant and equipment		438,388	91,069

**Note 5 Income Taxes**

		Consolidated	
	Note	2014 \$	2013 * Restated \$
(a) The components of tax (expense) / income comprise:			
Current tax (expense) / income		(9,552,842)	(1,390,841)
Deferred tax (expense) / income		(4,722,209)	(5,015,996)
Over / (under) provision in respect of prior years	25	546,420	(201,554)
Total tax expense		<u>(13,728,631)</u>	<u>(6,608,391)</u>
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Profit from continuing operations before income tax expense		47,525,996	20,150,359
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013:			
— consolidated group		14,257,799	6,045,108
Add:			
Tax effect of:			
— (over) / under provision for income tax in prior years		(546,420)	-
— non-deductible entertainment		23,700	6,767
— non-deductible depreciation and amortisation		-	607,336
		<u>13,735,079</u>	<u>6,659,211</u>
Less:			
Tax effect of:			
— Tax depreciation on building allowance		6,448	50,820
Income tax attributable to entity		<u>13,728,631</u>	<u>6,608,391</u>
The applicable weighted average effective tax rates are as follows:		28.9%	32.8%

**Note 6 Key Management Personnel Compensation**

The totals of remuneration paid to key management personnel (KMP) of the consolidated group during the year are as follows:

	2014 \$	2013 \$
Short-term employee benefits	1,221,462	942,856
Post-employment benefits	101,988	100,304
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>1,323,450</u>	<u>1,043,160</u>

No remuneration was paid by the parent entity to the KMP.

For details of other transactions with KMP, refer to Note 30: Related Party Transactions.

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**Note 7 Remuneration of Auditors**

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2014	2013
	\$	\$
<b>(a) PricewaterhouseCoopers Australia</b>		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	120,000	-
Total remuneration for audit services	120,000	-
<i>(ii) Taxation services</i>		
Taxation advisory services	21,900	-
Total remuneration for taxation services	21,900	-
Total remuneration of PricewaterhouseCoopers Australia	141,900	-
<b>(b) Non PricewaterhouseCoopers firms</b>		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	9,451	119,263
Total remuneration for audit services	9,451	119,263
<i>(ii) Taxation services</i>		
Taxation advisory services	49,176	45,495
Total remuneration for taxation services	49,176	45,495
<i>(iii) Other services</i>		
Legal services	17,325	35,880
Total remuneration for other services	17,325	35,880
Total remuneration of non-PricewaterhouseCoopers firms	75,952	200,638

The parent entity's audit fees were paid for by Huon Aquaculture Company Pty Ltd, a wholly owned subsidiary.

**Note 8 Dividends**

	Consolidated	
	2014	2013
	\$	\$
<b>Fully paid ordinary shares</b>		
Dividend at the rate of 54.10 cents (2013: nil) per fully paid share	1,000,000	-
Total dividends provided for or paid	1,000,000	-

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2013: 30%)	17,217,890	8,536,084
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The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

**Note 9 Cash and Cash Equivalents**

	Consolidated	
	2014	2013
	\$	\$
<b>CURRENT</b>		
Cash and bank balances	2,215,489	1,784,909
	2,215,489	1,784,909
Reconciliation of cash		
Cash and cash equivalents	2,215,489	1,784,909
	2,215,489	1,784,909

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as detailed above.

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**Note 10 Trade and Other Receivables**

	Note	Consolidated	
		2014 \$	2013 \$
<b>CURRENT</b>			
Trade receivables		16,953,146	14,156,482
Allowance for doubtful debts	10(a)	(179,445)	(134,497)
		<u>16,773,701</u>	<u>14,021,985</u>
Goods and services tax (GST) receivable		1,790,563	817,531
Other deposits		1,545,983	1,075,697
Freight equalisation rebates receivable		143,000	122,809
Fringe Benefits Tax Receivable		81,577	60,528
Other receivables		314,908	1,513,575
Allowance for doubtful debts		(65,000)	(65,000)
<b>Total current trade and other receivables</b>		<u><b>20,584,732</b></u>	<u><b>17,547,125</b></u>

**(a) Provision for impairment of receivables**

Movement in the provision for impairment of receivables is as follows:

	Opening Balance 1 July 2012	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2013
<b>Consolidated</b>	\$	\$	\$	\$
Current trade & other receivables	(108,863)	(90,634)	-	(199,497)
	<u>(108,863)</u>	<u>(90,634)</u>	<u>-</u>	<u>(199,497)</u>
	Opening Balance 1 July 2013	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2014
<b>Consolidated</b>	\$	\$	\$	\$
Current trade & other receivables	(199,497)	(47,651)	2,703	(244,445)
	<u>(199,497)</u>	<u>(47,651)</u>	<u>2,703</u>	<u>(244,445)</u>

**Credit risk**

The consolidated group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 10. The main source of credit risk to the consolidated group is considered to relate to the class of assets described as 'trade and other receivables'.

The following table details the consolidated group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the consolidated group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the consolidated group.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be of high credit quality.

<b>Consolidated</b>	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31-60	61-90	>90	
<b>2014</b>	\$	\$	\$	\$	\$	\$	\$
Trade and term receivables	16,953,146	179,445	4,395,893	364,288	-	2,516	12,011,004
Other receivables	3,876,032	65,000	-	-	-	-	3,811,031
<b>Total</b>	<u>20,829,178</u>	<u>244,445</u>	<u>4,395,893</u>	<u>364,288</u>	<u>-</u>	<u>2,516</u>	<u>15,822,035</u>
	Gross Amount	Past due and impaired	< 30	31-60	61-90	>90	Within initial trade terms
<b>2013</b>	\$	\$	\$	\$	\$	\$	\$
Trade and term receivables	14,156,482	134,497	4,038,589	229,626	11,884	-	9,741,885
Other receivables	3,590,140	65,000	-	-	-	-	3,525,140
<b>Total</b>	<u>17,746,622</u>	<u>199,497</u>	<u>4,038,589</u>	<u>229,626</u>	<u>11,884</u>	<u>-</u>	<u>13,267,025</u>

**Notes:**

The average credit period on sales of goods is 45 days.

Allowances for doubtful debts are recognised against trade receivables over 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

**Note 11 Inventories**

	Note	Consolidated	
		2014 \$	2013 \$
Processed fish & finished goods		2,815,105	2,042,794
Feed and packaging		2,495,690	2,817,995
Inventory provisions		(164,278)	(214,148)
		<u>5,146,517</u>	<u>4,646,641</u>

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**Note 12 Biological Assets**

**Biological assets at fair value (i)**

Opening balance	101,755,397	92,201,533
Increase due to production	117,366,385	95,922,324
Decrease due to sales / harvest / mortality	(100,776,963)	(87,764,793)
Movement in fair value of biological assets	4,489,742	1,396,333
	<u>122,834,561</u>	<u>101,755,397</u>

Closing fair value adjustment on biological assets	36,129,971	31,640,229
Total weight of live finfish at sea (kg)	11,653,099	10,659,243

(i) Members of the consolidated group, Huon Aquaculture Company Pty Ltd and Springfield Hatcheries Pty Ltd grow fish from juveniles through to harvest.

Refer to note 1(d) for accounting policy.

Refer to note 32 for fair value measurement and hierarchy.

**Note 13 Other Financial Assets**

	Note	2014 \$	Consolidated 2013 \$
CURRENT			
Derivatives carried at fair value:			
Foreign currency forward contracts		-	113,123
		<u>-</u>	<u>113,123</u>

Refer to note 32 for fair value measurement and hierarchy.

**Note 14 Other Assets**

	2014 \$	Consolidated 2013 \$
CURRENT		
Prepayments	2,590,190	2,276,242
	<u>2,590,190</u>	<u>2,276,242</u>

**Note 15 Financial Assets**

	Note	2014 \$	Consolidated 2013 \$
NON-CURRENT			
Other Investments	15(a)	852,764	5,553,022
		<u>852,764</u>	<u>5,553,022</u>

  

(a) Other investments			
Loans to related parties		-	4,700,258
Investment in Salmon Enterprises of Tasmania Pty Ltd ("Saltas") (i)		852,764	852,764
		<u>852,764</u>	<u>5,553,022</u>

(i) The entity holds ordinary share capital of Salmon Enterprises of Tasmania Pty Ltd ("Saltas").

The directors of Huon Aquaculture Group Limited do not believe that the entity is able to exert significant influence over Saltas.

On 10 September 2014, a contract was entered into between a related entity and Huon Aquaculture Company Pty Ltd to purchase unlisted securities from the related entity. The purchase consideration is for \$488,700, refer to note 34.

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**Note 16 Interests in Subsidiaries**

**a. Information about Principal Subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the consolidated group. The proportion of ownership interests held equals the voting rights held by the consolidated group. Each subsidiary's principal place of business is also its country of incorporation or registration.

Name of subsidiary	Principal place of business	Ownership interest held by the consolidated group	
		2014 (%)	2013 (%)
Huon Aquaculture Company Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	100%	100%
Springs Smoked Seafoods Pty Ltd	3 Enterprise Court, Mount Barker, SA, 5251	100%	100%
Springfield Hatcheries Pty Ltd	32-36 Headquarters Road, South Springfield, TAS, 7260	100%	100%
Huon Ocean Trout Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	100%	100%
Huon Shellfish Co Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	100%	100%
Huon Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	100%	100%
Huon Smoked Seafoods Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	100%	100%
Huon Smoked Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	100%	100%
Huon Seafoods Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	100%	100%
Huon Tasmanian Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	100%	100%
Springs Smoked Salmon Pty Ltd	3 Enterprise Court, Mount Barker, SA, 5251	100%	100%
Southern Ocean Trout Pty Ltd	2 Esplanade, Strahan, TAS, 7468	100%	100%
Morrison's Seafood Pty Ltd	2 Esplanade, Strahan, TAS, 7468	100%	100%
Meadowbank Hatchery Pty Ltd	2 Esplanade, Strahan, TAS, 7468	100%	100%

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the consolidated group's financial statements.

**b. Significant Restrictions**

There are no significant restrictions over the consolidated group's ability to access or use assets, and settle liabilities, of the consolidated group.

**Note 17 Property, Plant and Equipment**

	Consolidated	
	2014 \$	2013 \$
<b>LAND AND BUILDINGS</b>		
Freehold land at:		
— cost	1,281,697	595,000
Total land	1,281,697	595,000
Buildings at:		
— cost	7,116,195	3,443,332
Accumulated depreciation	(607,549)	(483,909)
Total buildings	6,508,646	2,959,423
Total land and buildings	7,790,343	3,554,423
<b>PLANT AND EQUIPMENT</b>		
Plant and equipment:		
— At cost	130,623,899	106,646,508
Accumulated depreciation	(70,696,475)	(64,498,580)
— Capital work in progress	27,353,310	7,806,703
	87,280,734	49,954,631
Leased plant and equipment:		
— At cost	600,000	752,844
Accumulated depreciation	(226,644)	(252,896)
	373,356	499,948
Total plant and equipment	87,654,089	50,454,579
<b>Total property, plant and equipment</b>	<b>95,444,432</b>	<b>54,009,002</b>



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**Note 17 Property, Plant and Equipment (cont)**

**(a) Movements in property, plant and equipment**

	Construction Work in Progress \$	Freehold Land \$	Buildings \$	Plant and Equipment \$	Leased Plant and Equipment \$	Total \$
<b>Consolidated:</b>						
<b>2014</b>						
<b>Gross Carrying amount</b>						
Balance at 30 June 2013	7,806,703	595,000	3,443,333	106,646,507	752,844	119,244,387
Additions	-	686,697	3,671,167	1,223,708	-	5,581,572
Disposals	-	-	-	(1,843,139)	-	(1,843,139)
Work In Progress Additions	43,992,281	-	-	-	-	43,992,281
Transfers to asset categories	-	-	-	152,844	(152,844)	-
Capitalisation to asset categories	(24,445,674)	-	1,695	24,443,979	-	-
Net revaluation increment / (decrement)	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>27,353,310</b>	<b>1,281,697</b>	<b>7,116,195</b>	<b>130,623,899</b>	<b>600,000</b>	<b>166,975,101</b>
<b>Accumulated Depreciation / Amortisation</b>						
Balance at 30 June 2013	-	-	(483,909)	(64,580,116)	(171,360)	(65,235,385)
Depreciation expense	-	-	(123,640)	(7,456,392)	(55,284)	(7,635,316)
Disposals	-	-	-	1,340,032	-	1,340,032
Net adjustments from revaluations	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>-</b>	<b>-</b>	<b>(607,549)</b>	<b>(70,696,475)</b>	<b>(226,644)</b>	<b>(71,530,669)</b>
<b>Net book value</b>						
Balance at 30 June 2013	7,806,703	595,000	2,959,424	42,147,927	499,948	54,009,002
<b>Balance at 30 June 2014</b>	<b>27,353,310</b>	<b>1,281,697</b>	<b>6,508,646</b>	<b>59,927,424</b>	<b>373,356</b>	<b>95,444,432</b>

  

	Construction Work in Progress \$	Freehold Land \$	Buildings \$	Plant and Equipment \$	Leased Plant and Equipment \$	Total \$
<b>Consolidated:</b>						
<b>2013</b>						
<b>Gross Carrying amount</b>						
Balance at 30 June 2012	4,587,641	595,000	3,443,333	64,279,142	35,936,754	108,841,870
Additions	-	-	-	2,556,886	-	2,556,886
Disposals	-	-	-	(280,579)	-	(280,579)
Work In Progress Additions	8,126,210	-	-	-	-	8,126,210
Transfers to asset categories	-	-	-	35,183,910	(35,183,910)	-
Capitalisation to asset categories	(4,907,148)	-	-	4,907,148	-	-
Net revaluation increment / (decrement)	-	-	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>7,806,703</b>	<b>595,000</b>	<b>3,443,333</b>	<b>106,646,507</b>	<b>752,844</b>	<b>119,244,387</b>
<b>Accumulated Depreciation / Amortisation</b>						
Balance at 30 June 2012	-	-	(360,345)	(36,458,427)	(20,817,708)	(57,636,480)
Depreciation / Amortisation expense	-	-	(123,564)	(7,597,296)	(67,175)	(7,788,035)
Transfers to asset categories	-	-	-	(20,631,987)	20,631,987	-
Disposals	-	-	-	189,130	-	189,130
Net adjustments from revaluations	-	-	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>-</b>	<b>-</b>	<b>(483,909)</b>	<b>(64,498,580)</b>	<b>(252,896)</b>	<b>(65,235,385)</b>
<b>Net book value</b>						
Balance at 30 June 2012	4,587,641	595,000	3,082,988	27,820,717	15,119,046	51,205,392
<b>Balance at 30 June 2013</b>	<b>7,806,703</b>	<b>595,000</b>	<b>2,959,424</b>	<b>42,147,927</b>	<b>499,948</b>	<b>54,009,002</b>

On 29 August 2014, a contract was entered into between a related entity and Huon Aquaculture Company Pty Ltd to purchase leased assets from the related entity. The purchase amount is \$2,785,000 and the existing lease agreements will be cancelled, refer to note 34.

**Note 18 Goodwill**

	Consolidated	
	2014 \$	2013 \$
<b>Gross carrying amount</b>		
Balance at the beginning of financial year	4,209,329	4,209,329
Additions	-	-
Balance at the end of financial year	4,209,329	4,209,329
<b>Accumulated impairment losses</b>		
Balance at the beginning of financial year	(1,601,035)	(248,430)
Impairment losses for the year	-	(1,352,605)
Balance at the end of financial year	(1,601,035)	(1,601,035)
<b>Net book value</b>		
Balance at the beginning of financial year	2,608,294	3,960,899
Balance at the end of financial year	2,608,294	2,608,294

Goodwill relates to the consolidated group's acquisition of the wholly-owned controlled entities, Huon Ocean Trout Pty Ltd, Southern Ocean Trout Pty Ltd, Morrison's Seafood Pty Ltd, Meadowbank Hatchery Pty Ltd.

**Impairment tests for goodwill and intangibles**

Goodwill and the intangible assets are reviewed for impairment by management at the cash generating unit (CGU) level. The CGU represents the consolidated group as Huon Aquaculture Group Limited is an integrated operation in Australia and it is the lowest level that generates cash inflows from the sale of salmon and related products.

The group tests goodwill and intangible assets for impairment on an annual basis. The recoverable amount of a CGU (the consolidated group) is determined based on a value in-use calculation which requires the use of assumptions. The calculation uses cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. These growth rates do not exceed the average growth rates for the industry in which the consolidated group operates.

The following table sets out the key assumptions used in the calculations:

Growth rate beyond budget	Growth rate beyond budget	Discount rate **	Discount rate **
2014	2013	2014	2013
%	%	%	%
3	3	15.40	15.00

\* Weighted average growth rate used to extrapolate cash flows beyond the budget period.

\*\* The group has applied the post-tax discount rates to discount the forecasts to future post-tax cash flows. The equivalent pre-tax discount rates are disclosed above.

Any reasonable change to the above key assumptions would not cause the carrying value of the cash generating unit to materially exceed its recoverable amount.

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**Note 19 Other Intangible Assets**

	Consolidated	
	2014	2013
	\$	\$
<b>Gross carrying amount</b>		
Balance at the beginning of financial year	99,207	99,207
Additions	-	-
Balance at the end of financial year	<u>99,207</u>	<u>99,207</u>
<b>Accumulated impairment losses</b>		
Balance at the beginning of financial year	-	-
Impairment losses for the year	-	-
Balance at the end of financial year	<u>-</u>	<u>-</u>
<b>Net book value</b>		
Balance at the beginning of financial year	99,207	99,207
Balance at the end of financial year	<u>99,207</u>	<u>99,207</u>

Other intangible assets relate to hatchery establishment costs and trademarks.

Licences and trademarks recognised by the consolidated entity have an indefinite useful life and are not amortised. They are recorded at cost less any impairment.

Refer to note 18 for impairment tests for other intangible assets.

**Note 20 Other Non-Current Assets**

	Consolidated	
	2014	2013
	\$	\$
Marine farming leases - at cost	13,405,242	13,405,242
Accumulated amortisation	<u>(5,290,520)</u>	<u>(4,994,395)</u>
	<u>8,114,722</u>	<u>8,410,847</u>

Amortisation expense is included in the line item "Depreciation and amortisation expense" in the income statement.

During the 2014 year, the consolidated group assessed its accounting policy with respect to marine leases. As a consequence, the marine leases had been incorrectly accounted for as indefinite life assets at fair value. The marine leases will now be accounted for at cost and amortised over the term of the lease. Refer to note 2 - Correction of error in prior period.

On 29 August 2014, a contract was entered into between a related entity and Huon Aquaculture Company Pty Ltd to purchase marine farming leases from the related entity. The purchase amount is \$2,520,000 and the existing lease agreement will be cancelled, refer to note 34.

**Note 21 Current Trade and Other Payables**

	Consolidated	
	2014	2013
	\$	\$
Trade payables	27,309,045	17,237,884
Other payables	7,795,049	4,929,885
Goods and services tax (GST) payable	54,604	93,780
	<u>35,158,698</u>	<u>22,261,549</u>

The average credit period on trade and other payables (excluding GST payable) is two months. No interest is payable on outstanding payables.

**Note 22 Borrowings**

	2014	2014	Consolidated	2013	2013	Consolidated
	Current	Non Current	2014	Current	Non Current	2013
	\$	\$	\$	\$	\$	\$
<b>Secured:</b>						
<b>At amortised cost</b>						
Finance lease liabilities	121,315	32,247	153,562	130,473	153,562	284,035
Bank Loans	5,500,000	60,360,000	65,860,000	5,329,434	56,900,000	62,229,434
Other Loans	574,234	-	574,234	673,338	-	673,338
	<u>6,195,549</u>	<u>60,392,247</u>	<u>66,587,796</u>	<u>6,133,245</u>	<u>57,053,562</u>	<u>63,186,807</u>
<b>Unsecured:</b>						
<b>At amortised cost</b>						
Other loans	20,000	80,987	100,987	20,000	99,169	119,169
	<u>6,215,549</u>	<u>60,473,234</u>	<u>66,688,783</u>	<u>6,153,245</u>	<u>57,152,731</u>	<u>63,305,976</u>

Details of the consolidated group's exposure to risks arising from current and non-current borrowings are set out in note 31 - Financial Risk Management.

The weighted average effective interest rate on the bank loans is 5.27% per annum (2013: 6.45% per annum).

The carrying amounts of all borrowings are assumed to be the same as their fair values.

**Summary of Facilities**

	2014		2013	
Facilities	Limit	Undrawn Balance	Limit	Undrawn Balance
Term Loan	55,000,000	-	55,000,000	-
Term Loan	5,500,000	3,600,000	10,000,000	3,000,000
Working Capital	6,000,000	6,000,000	6,000,000	6,000,000
Bank Guarantee	200,000	200,000	200,000	200,000
Term Loan	15,000,000	6,040,000	-	-
Uncommitted foreign exchange contracts	-	Discretion of lender	-	Discretion of lender
Uncommitted interest rate swaps	-	Discretion of lender	-	Discretion of lender
<b>Aggregate Facility Limit</b>	<b>81,700,000</b>		<b>71,200,000</b>	
<b>Aggregate Undrawn Balance</b>		<b>15,840,000</b>		<b>9,200,000</b>

The borrowings are secured by means of a floating charge over the consolidated group's assets. The carrying amounts of assets pledged as security are as recognised in the consolidated group's balance sheet.

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**Note 23 Provisions**

	2014 Current \$	2014 Non Current \$	Consolidated 2014 Total \$	2013 Current \$	2013 Non Current \$	Consolidated 2013 Total \$
Employee benefits	4,368,322	1,229,062	5,597,384	3,560,641	902,859	4,463,500
	<u>4,368,322</u>	<u>1,229,062</u>	<u>5,597,384</u>	<u>3,560,641</u>	<u>902,859</u>	<u>4,463,500</u>

**Provision for Employee Benefits**

The provision for employee benefits relates to the consolidated group's liability for long service leave and annual leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the consolidated group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the consolidated group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

**Amounts not expected to be settled within the next 12 months**

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$4,368,322 (2013: \$3,560,641) is presented as current, since the consolidated group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the consolidated group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2014	2013
	\$	\$
Leave obligations expected to be settled after 12 months	<u>822,471</u>	<u>674,580</u>

**Note 24 Other Financial Liabilities**

	2014	Consolidated 2014	2013
<b>Note</b>	\$	\$	\$
<b>CURRENT</b>			
Derivatives carried at fair value:			
Foreign currency forward contracts		<u>58,224</u>	<u>-</u>
		<u>58,224</u>	<u>-</u>

Refer to note 32 for fair value measurement and hierarchy.

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**Note 25 Tax**

	Consolidated	
	2014	2013
	\$	\$
<b>(a) Current tax balances:</b>		
Current tax liabilities comprise:		
Income tax payable attributable to:		
Entities in the tax-consolidated group	7,808,925	1,113,463
Net current tax balance	<u>7,808,925</u>	<u>1,113,463</u>

	Consolidated	
	2014	2013
	\$	\$
<b>(b) Deferred tax balances:</b>		
Deferred tax assets comprise:		
Temporary differences	2,674,400	2,028,023
Deferred tax liabilities comprise:		
Temporary differences	(37,929,995)	(32,561,410)
Net deferred tax asset / (liability)	<u>(35,255,595)</u>	<u>(30,533,387)</u>

Taxable and deductible temporary differences, comprise of the following and arise from the following movements:

**Consolidated**

2014	Opening balance	Charged to income	Charged to equity	Closing balance
	\$	\$	\$	\$
<b>Gross deferred tax liabilities:</b>				
Biological assets	(28,968,629)	(5,725,481)	-	(34,694,110)
Property, plant and equipment	(926,723)	233,744	-	(692,979)
Other non-current assets	(2,523,254)	88,837	-	(2,434,417)
Other financial assets	(142,804)	34,315	-	(108,489)
	<u>(32,561,410)</u>	<u>(5,368,585)</u>	<u>-</u>	<u>(37,929,995)</u>
<b>Gross deferred tax assets:</b>				
Provisions	1,339,050	340,165	-	1,679,215
Other financial assets	273,002	(123,454)	-	149,549
Trade and other receivables	59,850	30,951	-	90,801
Property, plant and equipment	271,906	23,384	-	295,289
Other intangibles	3,251	-	-	3,251
Trade and other payables	80,964	375,331	-	456,295
	<u>2,028,023</u>	<u>646,377</u>	<u>-</u>	<u>2,674,400</u>
<b>Net deferred tax asset / (liability)</b>	<u>(30,533,387)</u>	<u>(4,722,208)</u>	<u>-</u>	<u>(35,255,595)</u>
<b>2013</b>				
<b>Gross deferred tax liabilities:</b>				
Biological assets	(23,725,249)	(5,243,380)	-	(28,968,629)
Trade and other receivables	(70,333)	70,333	-	-
Other non-current assets	(2,630,756)	107,502	-	(2,523,254)
Property, plant and equipment	(1,146,370)	219,647	-	(926,723)
Other financial assets	(102,340)	(40,464)	-	(142,804)
	<u>(27,675,048)</u>	<u>(4,886,362)</u>	<u>-</u>	<u>(32,561,410)</u>
<b>Gross deferred tax assets:</b>				
Provisions	978,504	360,546	-	1,339,050
Other financial assets	846,410	(573,408)	-	273,002
Trade and other receivables	32,659	27,191	-	59,850
Property, plant and equipment	223,907	47,999	-	271,906
Other intangibles	1,444	1,807	-	3,251
Trade and other payables	74,733	6,231	-	80,964
	<u>2,157,658</u>	<u>(129,635)</u>	<u>-</u>	<u>2,028,023</u>
<b>Net deferred tax asset / (liability)</b>	<u>(25,517,389)</u>	<u>(5,015,998)</u>	<u>-</u>	<u>(30,533,387)</u>

	Consolidated	
	2014	2013
	\$	\$
Deferred tax assets expected to be settled within 12 months	1,610,851	1,006,632
Deferred tax assets expected to be settled after more than 12 months	1,063,549	1,021,391
	<u>2,674,400</u>	<u>2,028,023</u>
Deferred tax liabilities expected to be settled within 12 months	6,857,089	6,402,189
Deferred tax liabilities expected to be settled after more than 12 months	31,072,906	26,159,221
	<u>37,929,995</u>	<u>32,561,410</u>

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**Note 26 Issued Capital**

1,848,259 (2013: 1,848,259) fully paid ordinary shares

The company has authorised share capital amounting to 1,848,259 ordinary shares of no par value.

**(a) Ordinary Shares**

At the beginning of the reporting period

Shares issued during year

At the end of the reporting period

Consolidated	
2014	2013
\$	\$
42,937,368	42,937,368
42,937,368	42,937,368

No.	No.
1,848,259	1,848,259
0	0
1,848,259	1,848,259

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**(b) Capital Management**

Management controls the capital of the consolidated group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the consolidated group can fund its operations and continue as a going concern.

The consolidated group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the consolidated group's capital by assessing the consolidated group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the consolidated group since the prior year.

	Note	Consolidated	
		2014	2013
		\$	\$
Total borrowings	22	66,688,783	63,305,976
Trade and other payables	21	35,158,698	22,261,549
Less cash and cash equivalents	9	(2,215,489)	(1,784,909)
Net debt		99,631,992	83,782,616
Total equity		109,923,299	77,125,934
Total capital		209,555,292	160,908,550
Gearing ratio		48%	52%

**Note 27 Capital and Leasing Commitments**

**(a) Finance Lease Commitments**

Payable — minimum lease payments

— not later than 12 months

— between 12 months and five years

— later than five years

Minimum lease payments

Less future finance charges

Present value of minimum lease payments

Note

Consolidated	
2014	2013
\$	\$
131,124	152,252
32,781	163,904
-	-
163,905	316,156
(10,343)	(32,121)
153,562	284,035

**(b) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not recognised in the financial statements

Payable — minimum lease payments

— not later than 12 months

— between 12 months and five years

— later than five years

2,713,655	2,180,859
4,445,822	2,923,796
6,844,692	4,870,704
14,004,169	9,975,359

Included in the above operating lease commitments as at 30 June 2014 are amounts owing to a related party of \$8,537,837 representing amounts owing for leases on property and marine leases. On 29 August 2014, a contract was signed between Huon Aquaculture Company Pty Ltd to purchase the assets from the related party for an amount of \$5,305,000 and the leases will be cancelled. This matter has been disclosed as an event occurring after the reporting period in note 34.

**(c) Capital Expenditure Commitments**

Capital expenditure commitments contracted for:

Plant and equipment purchases

Capital expenditure projects

-	-
6,937,972	-
6,937,972	-

Payable:

— not later than 12 months

— between 12 months and five years

— greater than five years

6,937,972	-
-	-
-	-
6,937,972	-

**Note 28 Contingent Liabilities and Contingent Assets**

There are no contingent liabilities or contingent assets as at the date of this Annual Financial Report.

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**Note 29 Cash Flow Information**

	Consolidated	
	2014	2013
	\$	\$
<b>Reconciliation of cash flow from operations</b>		
<b>with profit after income tax</b>		
Profit for the period	33,797,365	13,541,968
Non-cash flows in profit		
— depreciation and amortisation of non-current assets	7,930,374	9,498,981
— net (gain)/loss on disposal of property, plant and equipment	438,388	91,069
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
— increase in trade and term debtors	(2,866,002)	(4,609,210)
— increase in other assets	(313,948)	(923,252)
— increase in inventories	(21,579,041)	(10,071,828)
— increase in payables	12,897,150	2,602,967
— increase in income taxes payable	6,695,463	1,133,303
— increase in deferred taxes payable	4,722,209	5,015,996
— increase in provisions	1,133,883	1,201,819
Net cash provided by operating activities	<u>42,855,841</u>	<u>17,481,813</u>

**Note 30 Related Party Transactions**

The consolidated group's main related parties are as follows:

**(a) Parent entity**

The group is controlled by Huon Aquaculture Group Limited (formerly known as Huon Aquaculture Group Pty Ltd)

**(b) Subsidiaries**

Interest in subsidiaries are set out in note 16.

**(c) Key management personnel compensation**

Key management personnel compensation is set out in note 6.

**(d) Transactions with other related parties:**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Consolidated	
	2014	2013
	\$	\$
<b>i. Purchase of goods</b>		
Purchase of goods and services from other related parties	1,593,122	1,390,799
<b>ii. Dividend revenue</b>		
Key Management Personnel:	1,000,000	-
<b>iii. Superannuation Contributions</b>		
Contributions to superannuation funds on behalf of employees	8,303	4,264
<b>iv. Other transactions</b>		
Short-term employee benefits	89,765	47,377
<b>v. Purchases from entities controlled by key management personnel</b>		
The group acquired the following goods and services from entities that are controlled by members of the group's key management personnel:		
- Land, Buildings and Property Plant and Equipment	4,700,000	-
- Leases of assets	996,141	937,271
	<u>5,696,141</u>	<u>937,271</u>
<b>(e) Outstanding balances arising from sales/purchases of goods and services:</b>		
Current Payables		
Other related parties	57,345	72,218
Entities controlled by key management personnel	110,001	102,500
	<u>167,346</u>	<u>174,718</u>
<b>(f) Loans to entities controlled by key management personnel</b>		
Beginning of the year	4,700,000	4,700,000
Loans advanced	-	-
Loan repayment received (transfer of assets from related party)	(4,700,000)	-
Interest charged	291,400	-
Interest received	(291,400)	-
End of year	-	4,700,000

**HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**Note 31 Financial Risk Management**

The consolidated group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The consolidated group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated group. The consolidated group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments. The consolidated group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, aging analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out under policies approved by the Chief Executive Officer.

The consolidated group holds the following financial instruments:

	Note	Consolidated	
		2014 \$	2013 \$
<b>Financial Assets</b>			
Cash and cash equivalents	9	2,215,489	1,784,909
Trade and other receivables	10(b)	20,584,732	17,547,125
Derivative financial instruments		-	113,123
<b>Total Financial Assets</b>		<b>22,800,221</b>	<b>19,445,157</b>
<b>Financial Liabilities</b>			
Trade and other payables		35,158,698	22,261,549
Borrowings	21(a)	66,688,783	63,305,976
Derivative financial instruments	22	58,224	-
<b>Total Financial Liabilities</b>		<b>101,905,705</b>	<b>85,567,525</b>

**a. Credit risk**

Credit risk is managed on a consolidated group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks exposures to wholesale, commercial and retail customers, including outstanding receivables and committed transactions.

**b. Liquidity risk**

Management monitors rolling forecasts of the consolidated group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 9) on the basis of expected cash flows.

*Financing arrangements*

The consolidated group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated	
	2014 \$	2013 \$
<b>Floating rate</b>		
Expiring within one year (bank loans)	9,600,000	6,000,000
Expiring beyond one year (bank loans)	6,040,000	3,000,000
	<b>15,640,000</b>	<b>9,000,000</b>

*Maturities of financial liabilities*

The table below analyses the consolidated group's financial liabilities into relevant maturity groupings as follows:

(a) based on their contractual maturities:

- (i) all non derivative financial liabilities
- (ii) net and gross dettled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of cash flows.

(b) based on the remaining period to the expected settlement date:

- (i) derivative financial liabilities for which the contractual maturities are not essential for an understanding of the timing of cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

**Financial liability and financial asset maturity analysis**

	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
<b>Consolidated</b>								
<b>Financial liabilities due for payment</b>								
<u>Non derivatives</u>								
Borrowings	6,426,724	6,647,001	66,987,025	64,443,813			73,413,749	71,090,814
Trade and other payables	35,158,698	22,261,549					35,158,698	22,261,549
Total expected outflows	41,585,422	28,908,550	66,987,025	64,443,813	-	-	108,572,447	93,352,363
<u>Derivatives</u>								
Net settled (forward foreign exchange contracts)	58,224	(113,123)					58,224	(113,123)
Total expected outflows	58,224	(113,123)	-	-	-	-	58,224	(113,123)

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**Note 31 Financial Risk Management (cont)**

**c. Market Risk**

**i. Interest rate risk**

The consolidated group is exposed to interest rate risk as it borrows funds at both floating and fixed interest rates. The financial instruments that expose the consolidated group to interest rate risk are limited to borrowings, cash and cash equivalents.

Interest rate risk is managed by using a mix of fixed and floating rate debt and the consolidated group enters into interest rate swaps from time to time to convert debt to a fixed rate. At 30 June 2014 99% of consolidated group debt is floating. The consolidated group also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

The net effective variable interest rate borrowings (i.e. unhedged debt) expose the consolidated group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

The following table details the notional principle amounts at the end of the reporting period.

Floating rate instruments	Note	Consolidated		Consolidated	
		Weighted average Interest rate %	2014 \$	Weighted average Interest rate %	2013 \$
Bank Loans	22	5.27%	65,860,000	6.45%	62,229,434
			<u>65,860,000</u>		<u>62,229,434</u>

*Interest rate sensitivity analysis*

At 30 June 2014, if interest rates had increased by 50 basis points or decreased by 50 basis points from the year end rates with all other variables held constant, pre tax profit for the period would have been \$320,223 higher / \$320,223 lower (2013 changes of 50bps / 50bps: \$315,732 higher / \$315,732 lower), mainly as a result of higher / lower interest income from cash and cash equivalents.

**ii. Foreign exchange risk**

The consolidated group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, predominantly with respect to the US dollar and Japanese Yen.

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated group hedges its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts. The consolidated group's risk management policy is to hedge between 75% - 125% of cash flows arising from known inventory purchase commitments, mainly denominated in US dollars for the subsequent six months.

The consolidated group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	Consolidated	
	2014 AUD \$	2013 AUD \$
Trade payables (import creditors)	2,448,945	2,592,299
Forward exchange contracts		
- Buy foreign currency (cash flow hedges)	5,311,716	2,981,031

*Consolidated group sensitivity*

Based on the financial instruments held at 30 June 2014, had the Australian dollar strengthened / weakened by 10% against the US dollar with all other variables held constant, the consolidated group's pre-tax profit for the period would have been \$341,551 lower / \$417,450 higher (2013: \$188,830 lower / \$230,792 higher), mainly as a result of foreign exchange gains / losses on translation of US dollar denominated financial instruments as detailed in the above table.

**Note 32 Fair Value Measurements**

The consolidated group measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- Biological assets (refer to note 12) and
- derivatives (refer to note 13 & 24)

The consolidated group does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

**(a) Fair value hierarchy**

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

**Valuation techniques**

The consolidated group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the consolidated group are consistent with one or more of the following valuation approaches:

*Biological Assets*

Biological assets include broodstock, eggs, juveniles, smolt and live finfish. Biological assets are measured at fair value less costs to sell in accordance with AASB 141. Where fair value cannot be reliably measured they are measured at cost less impairment losses.

For broodstock, eggs, juveniles, smolt and live fish below 1 kg are measured at cost, as the fair value cannot be measured reliably. Live fish between 1 kg and 4kg is measured at fair value less cost to sell, including a proportionate expected net profit at harvest. Live fish above 4kg are measured to fair value less cost to sell.

The valuation is completed for each year class of finfish for each species and each significant location and takes into consideration input based on biomass in sea, estimated growth rate and mortality. The market prices are derived from observable market prices (when available), achieved prices and estimated future prices for harvest finfish. The prices are reduced for harvesting costs and freight costs to market, to arrive at a net fair value at farm gate.



**HUON AQUACULTURE GROUP LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**Note 32 Fair Value Measurements (cont)**

*Derivatives*

The fair value of forward exchange contracts is determined using forward exchange rates at the balance sheet date.

When selecting a valuation technique, the consolidated group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

To provide an indication about the reliability of the inputs used in determining fair value, the consolidated group has classified its assets at fair value into three levels prescribed under accounting standards. An explanation of each level follows underneath the table.

		30 June 2014			
	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
— Biological Assets	12		-	122,834,561	122,834,561
<b>Total financial assets recognised at fair value</b>		-	-	122,834,561	122,834,561

		30 June 2014			
	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Recurring fair value measurements</b>					
<b>Financial liabilities</b>					
— Derivatives	24		58,224	-	58,224
<b>Total financial liabilities recognised at fair value</b>		-	58,224	-	58,224

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements.

There has been no transfers between the fair value measurement levels during the financial year.

All other financial asset and liabilities that are measured at cost have a carrying amount that approximates the fair value at balance sheet date.

*Fair value measurements using significant unobservable inputs*

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value 30 June 2014	Unobservable Inputs	Relationship of Unobservable Inputs to Fair value
Biological Assets	122,834,561	Fish growth rates Fish mortality rates	Increase in growth rates would increase fair value Increase in mortality rates would decrease fair value

*Sensitivity analysis - Biological assets*

Based on the market prices utilised at 30 June 2014, had the pricing increased / decreased by \$0.10 with all other variables held constant, the consolidated group's net profit for the period would have been \$886,229 higher / lower (2013: \$803,502 higher / lower).

**Note 33 Segment Information**

The chief operating decision maker for the consolidated group is the Chief Executive Officer of the parent entity. The parent entity determines operating segments based on information provided to the Chief Executive Officer in assessing performance and determining the allocation of resources within the consolidated group. Consideration is given to the consolidated group's products, the manner in which they are sold, the organisational structure of the consolidated group and the nature of customers.

The consolidated group's one reportable segment is the farming, processing, marketing and sale of salmon in Australia.

The total of the reportable segments' revenue, profit, assets and liabilities is the same as that of the consolidated group as a whole and as disclosed in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated balance sheet.

**Note 34 Events occurring after the reporting period**

Likely developments in the operations of the consolidated group that were not finalised at the date of this report include a proposed initial public offering by Huon Aquaculture Group Limited to provide primary capital to support future growth plans and improve future ongoing access to capital.

Included in the lease commitments as at 30 June 2014 (as shown in note 27) are amounts owing to a related party of \$8,537,837 representing amounts owing for leases. On 29 August 2014, a contract was signed between Huon Aquaculture Company Pty Ltd to purchase the assets from the related party for an amount of \$5,305,000 and the leases will be cancelled.

On 10 September 2014, a contract was entered into between a related entity and Huon Aquaculture Company Pty Ltd to purchase unlisted securities from the related entity. The purchase consideration is for \$488,700, refer to note 15.

**Note 35 Company Details**

The registered office of the company is:

Huon Aquaculture Group Limited  
961 Esperance Coast Road  
Dover  
Tasmania 7109

The principal place of business is:

Huon Aquaculture Group Limited  
961 Esperance Coast Road  
Dover  
Tasmania 7109

**HUON AQUACULTURE GROUP LIMITED  
AND CONTROLLED ENTITIES  
DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Huon Aquaculture Group Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 31, are in accordance with the Corporations Act 2001 including:
  - (a) complying with Accounting Standards, the Corporations Regulation 2001 and other mandatory professional reporting requirements; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the consolidated group will be able to pay its debts as and when they become due and payable.
3. Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.



**Peter Bender**  
Director

Melbourne  
Dated this 3rd day of October 2014



## **Independent auditor's report to the members of Huon Aquaculture Group Limited**

### ***Report on the financial report***

We have audited the accompanying financial report of Huon Aquaculture Group Limited (the company), which comprises the consolidated balance sheet as at 30 June 2014, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Huon Aquaculture Group Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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## **Independent auditor's report to the members of Huon Aquaculture Group Limited (continued)**

### ***Report on the financial report (continued)***

#### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

#### ***Auditor's opinion***

In our opinion:

- (a) the financial report of Huon Aquaculture Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

A stylized, handwritten signature in dark ink, appearing to read 'PwC' or similar, positioned above the firm name.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'Daniel Rosenberg', positioned above the name and title.

Daniel Rosenberg  
Partner

Melbourne  
3 October 2014