THE WORLD'S MOST LOVED SALMON

23 February 2015

HUON AQUACULTURE GROUP LIMITED (ASX: HUO) Announcement

Interim Financial Report – 31 December 2014

In accordance with the ASX Listing Rules, the documents which follow are for immediate release to the market:

1. Report for the half year ended 31 December 2014 (Appendix 4D).

2. Interim Financial Report including the Directors' Report for the half year ended 31 December 2014.

3. Media release.

4. Investor Presentation.

For further information please contact:

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HUON AQUACULTURE GROUP LIMITED
ABN 79 114 456 781
Appendix 4D
Half Year Report

1 Reporting period

- Reporting Period - Half year ended 31 December 2014
- Previous Corresponding Period - Half year ended 31 December 2013

2 Results for announcement to the market

	31 December 2014 $'000	31 December 2013 $'000	% Change
Revenue from ordinary activities	100,543	96,207	4.5%
Profit (loss) from ordinary activities after tax attributable to members	25,941	23,265	11.5%
Net profit (loss) for the period attributable to members	25,941	23,265	11.5%

- No interim dividend will be paid consitent with statements in the Company's Prospectus dated 6 October 2014.
- Record date for determining entitlements to dividend - Not applicable.
- Explanation of results - Refer to the Interim Financial Report, the Media Release and Results Presentation released today for further explanations of the figures presented.

3 Net Tangible Assets per security

Net tangible assets per ordinary security ($ per security)	$ 2.91	$ 2.31

4 Entities over which control has been gained or lost during the period

- There have been no business acquisitions or disposals during the period.

5 Details of individual and total dividends or distributions

- A fully franked dividend of $800,000 was declared on 3 October 2014 and paid on 22 October 2014.

6 Details of any dividend or distribution reinvestment plans

- The Company does not currently have a dividend reinvestment plan.

7 Details of associates and joint venture entities

- The Company does not have investments in Associates or Joint Ventures.

8 Independent audit report or review

- The Interim Financial Report has been independently reviewed the Company's auditors. The review report is not subject to a modified opinion, emphasis of matter or other matter paragraph. A copy of the review report is included in the Interim Financial Report.

Thomas Haselgrove
Company Secretary
Dated: 23 February 2015

HUON AQUACULTURE GROUP LIMITED

ABN 79 114 456 781

Interim Financial Report
31 December 2014

HUON AQUACULTURE GROUP LIMITED

Interim Financial Report

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Huon Aquaculture Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

HUON AQUACULTURE GROUP LIMITED
DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Huon Aquaculture Group Limited ("Huon", the "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

DIRECTORS

The following persons were directors of Huon Aquaculture Group Limited during the whole of the half-year and up to the date of this report:

Peter Bender
Frances Bender
Peter Margin was appointed a director on 5 August 2014 and continues in office at the date of this report.
Neil Kearney was appointed a director on 5 August 2014 and continues in office at the date of this report.
Simon Lester was appointed a director on 4 August 2014 and continues in office at the date of this report.

REVIEW OF RESULTS AND OPERATIONS

The net profit after tax for the half-year ended 31 December 2014 was $25.9 million representing an 11.5% increase on the same period last year which recorded an after tax profit of $23.3 million.

Overall revenue and statutory net profit after tax have increased and harvest volumes are in line with expectations and represent a small increase over the prior period. Better than expected customer and channel mix has resulted in a higher average price, leading to increased revenue.

The profit result has been increased by the fair value adjustment of biological assets. Whilst predominantly driven by the volume of finfish with an increase of 5,788t over the first six months (June 2014 11,653t; December 2014 17,441t), the result is in line with seasonal movements of finfish held and projected harvest volumes. As a result, the Company's cost per kilogram has reduced by $0.54 representing an 8.2% reduction on the same period last year.

Operating margins decreased due to short term impacts associated with implementing the Controlled Growth Strategy. Costs associated with the Initial Public Offer (IPO) of $1.1m have been recognised in the current reporting period, both factors having a negative impact on the profit for the period.

The IPO proceeds were settled in late October. The key uses of Huon's funds in the reporting period were:

- Funding of the Controlled Growth Strategy
- Repayment of bank debt
- Payment of transaction costs

Following the successful IPO in October 2014, Huon has continued to pursue the three pillars that underpin the overall business strategy and deliver long-term sustainable profitability;

1. Growing the market
2. Growing production and efficiency (Controlled Growth Strategy)
3. Growing safely and sustainably (people, safety and environment)

In working toward this in the first half of financial year 2015, Huon has already made gains against all three pillars, which are also reflected in the financial results for the six months ending December 2014.

First half of 2015 Highlights

		Dec-14	Dec-13	Change
Tonnage	t	7,850	7,721	*1.7%*
Revenue	$'000	100,543	96,207	*4.5%*
EBITDA*	$'000	43,109	39,187	*10.0%*
NPAT	$'000	25,941	23,265	*11.5%*
Fair value Adjustment	$'000	16,244	6,688	*142.9%*
Biological Assets	$'000	158,566	122,834	*29.1%*
Earnings Per Share	c	36.5	38.1	*-4.2%*
Cash and cash equivalents	$'000	60,347	5,690	*960.6%*
Total Gearing Ratio**	%	-4.7%	38.4%	*-112.2%*
Return on Assets***	%	16.5%	14.6%	*13.0%*

* EBITDA is a non-IFRS financial measure which is used to measure business performance.
** Total Gearing Ratio is measured as debt (net of cash) /equity.
*** Return on Assets is measured as statutory EBIT / total assets, where EBIT is rolling 12 month to period end.

Huon continues to focus on the implementation of its Controlled Growth Strategy and has set a target return on incremental capital of 20.0% once fully implemented.

In the first six months of financial year 2015, Huon's Controlled Growth Strategy continued to proceed smoothly and is both on-time and on-budget which places the Company in a strong position to achieve the 20.0% target. The continued implementation of the Controlled Growth Strategy will deliver incremental benefit over the next two years with the full benefit expected in financial year 2018.

The first half earnings per share is reflective of revenue growth outpacing modest increases in volume growth. This has been achieved through improved customer and channel mix delivering increased $/kg for product sold.

The increase in biological assets can be attributed to good production growth for next year's harvest fish which in turn will ensure adequate market supply.

Strong performance in biological assets positions the Company to capitalise on market growth and can be attributed to a range of efficiency measures being implemented through the Controlled Growth Strategy (including performance of the new Fortress Pens and feed barges) as well as improved husbandry practices and environmental conditions.

The low gearing ratio positions the Company to continue to deliver the Controlled Growth Strategy as planned for the remainder of financial year 2015. This is evidenced by cash reserves of $60.0m and combined with total borrowings, places the Company in a positive net debt position of $12.1m.

Huon has continued to improve its return on assets of 16.5% and maintains a focus on asset efficiency whilst working toward the 20.0% target return on incremental assets following successful implementation of the Controlled Growth Strategy.

Safety of Huon employees continues to be at the core of operations and the ongoing development of a "Safety First" culture and improvement initiatives have delivered significant reduction in injury frequency rates and loss-time injuries.

1. Growing the market

Huon's sales and marketing strategy is focussed on driving profitable business growth and this has been largely targeted towards the wholesale market in the first half of financial year 2015. Modest increases in sales volume growth of 1.7% were outpaced by revenue growth of 4.5% as a result of increased $/kg from an improved customer and channel mix.

Marketing support was focussed on driving Huon's share of the wholesale market, through a targeted direct engagement strategy that assisted with sales conversion and consumer education about the product.

Huon's online distribution capabilities have also seen it focus on brand building at the luxury end of the market and the "Reserve Selection - Seriously Special Salmon" campaign delivered highly successful results, both in brand building and returns to the bottom line.

A national fresh branded presence in a major retailer in the latter half of calendar year 2015 was leveraged through increased investment in communication at point of purchase to help grow the initial share of sales in the chilled seafood category.

It is expected that this activity will continue as Huon seeks to grow its on-shelf branded retail presence through new product development capabilities which will be realised through the completion of the new Parramatta Creek processing facility.

Huon utilised existing as well as re-established appropriate export channels into key Asian markets to distribute additional volume from stronger than expected production growth.

2. Growing production and efficiency

Huon's focus on the implementation of its Controlled Growth Strategy continues to proceed smoothly and is both on-time and within budget. Key operational initiatives are already demonstrating improvements in efficiency, production growth, quality and consistency at this early stage of implementation.

Controlled Growth Strategy project implementation update

Significant investment and progress toward project delivery of the Controlled Growth Strategy has been made in the first half of financial year 2015 and is proceeding in line with expectations;

Hatcheries

- Major earthworks are completed and construction of the Forest Home Hatchery has commenced. The project is on schedule for completion for the 2016 smolt intake with the hatchery licence secured.

Roll-out of new Fortress Pens

- 56 of the new Fortress Pens have been successfully deployed on budget and slightly ahead of schedule. Of the 56 deployed, 51 are the 168m circumference pens and 5 are the larger 240m circumference pens.
- The pen replacement program continues below budget and slightly ahead of schedule demonstrating the Company's capacity to deliver large scale capital investment programs whilst also maintaining a focus on long term asset return.

Mooring System upgrade

- The mooring system upgrade and expansion project is proceeding to schedule with the replacement of four *existing* mooring systems and installation of two *new* mooring systems.

Well-boat (Ronja Huon)

- The well-boat was delivered and commissioned in December 2014 and is currently in an operational trial phase in the southern farming region.
- Successfully bathing at the higher-energy site in Storm Bay as well as bathing in and out of the new Fortress Pens.

Feed barges

- First two feed barges are commissioned and operational with construction and delivery of remaining barges continuing on schedule with expected completion within budget and in line with the three-year roll-out plan.

Parramatta Creek Processing Facility

- Construction completed in December 2014.
- Fit-out and commissioning has commenced and is on track for full production in the second half of financial year 2015 and within budget.
- The state-of-the-art facility will allow Huon to expand capacity and capability for new product development and production to meet market demand.

Production and efficiency improvements from Controlled Growth Strategy Projects

It is expected that the full predicted improvements in production, efficiency and quality will be realised on completion of the Controlled Growth Strategy in financial year 2017 and the benefits from those improvements fully experienced in financial year 2018. However, Huon's production cost per kilogram has reduced by $0.54 to $6.09 representing an 8.2% reduction on the same period last year.

Huon is also pleased to report that in the first half of financial year 2015 the Company has had strong performance in underlying biological assets with a 29.1% increase on last financial year. This result can be attributed to better growth rates and increased average fish weights that stem from production improvements in feeding systems (feed-barges), new Fortress Pens, husbandry practices as well as environmental conditions.

The number of mortalities from the new Fortress Pens has decreased compared to the older style pens, demonstrating strong proof of concept for the new pen design. With approximately 1/3 of new pens deployed, the reduced mortality rates are expected to increase their contribution to production efficiencies over the next 12 months as the project reaches its completion in financial year 2016.

In addition, the successful deployment of the two new feed barges resulted in fewer feeding days lost to weather. This is evidenced by the improved growth rates of next year's harvest fish on the Macquarie Harbour farms that received the first feed barge in September and has also contributed to the overall strong performance of next year's harvest fish for the Company.

Whilst still in operational trials, use of the well-boat has enabled successful bathing at the Company's higher energy sites as well as bathing in and out of the new Fortress Pens successfully. In the short time since commissioning, this technology has demonstrated its importance to safely accessing and farming higher energy sites (such as Storm Bay) which would not have been possible without the well-boat. Use of the well-boat in southern farming operations has also seen new records for daily bathing rates and this is expected to continue to improve once the vessel is fully integrated into operations.

3. Growing safely and sustainably

Throughout the first half of financial year 2015 Huon has focussed on safety through the 'Safety First' staff culture program whilst also implementing its Controlled Growth Strategy. This strategy was devised with efficiency, quality, consistency and production as guiding principles but at its core was safety.

Huon has already seen significant reductions in slips, trips and falls (the number one injury category for the Company) due to the roll-out of its new Fortress Pens, with a company-wide reduction of 46%, with approximately two-thirds of the pen roll-out still to come.

The pens have also had a major impact on reducing seal entries and seal interactions with Huon staff, an outcome that sees increased stock security and staff safety.

The Company is also the recipient of a WorkSafe Tasmania Occupational Health and Safety Award for the "Best Solution to an Identified Workplace Health and Safety Issue" for the Fortress Pens.

With the commissioning of the well-boat and the roll-out of Huon's new feed barge program comes a more controlled work environment for Huon's staff to operate from and importantly a reduction in manual tasks.

The roll-out of a company-wide health and wellbeing program was also undertaken with outcomes focussed on increased productivity, reduced absenteeism and resilience. Although in its infancy, the health and wellbeing program has already been recognised with Huon receiving an award for Best Practice – Business and Enterprise LIFE from the Tasmanian Suicide Prevention Community Network for work with staff on mental health. This program will continue to roll-out in the second half of financial year 2015.

Sustainability and environmental measures continued to be a priority for Huon, with significant time invested in community consultation and the refinement of systems and procedures directed at positive environmental and animal welfare outcomes across the board.

In the first half of financial year 2015 Huon achieved renewal of its Global G.A.P. accreditation and continued to communicate its sustainability credentials across all areas of the business via its online Sustainability Dashboard. The Dashboard continues to receive 'virtual' visitation from around the world and has resulted in a significant decrease in the amount of additional queries directed to the Company around specific environmental, farming and animal welfare measures.

Throughout this period Huon also continued to work towards Aquaculture Stewardship Council accreditation through its membership of the Global Salmon Initiative.

Outlook and Strategic focus

Huon has delivered a solid maiden result reflecting continued focus on production activities against a backdrop of increased supply in the first half of financial year 2015.

Huon will continue to drive profitable growth in its key wholesale market as well as increasing market penetration in all sales channels supported by a renewed focus on new product development when the Parramatta Creek processing facility is commissioned. Huon has also re-established appropriate export channels into key Asian markets to distribute additional volume from stronger than expected production growth in first half of financial year 2015 and will continue to utilise export channels to distribute additional volumes for the remainder of the financial year.

Huon has continued to improve its return on assets of 16.5% and maintains a focus on asset efficiency whilst working toward the 20% target return on incremental assets following successful implementation of the Controlled Growth Strategy.

Implementation of the Controlled Growth Strategy will continue to place short-term downward pressure on profit margins, however early operational efficiencies and production growth improvements through reduced mortalities and improved average fish weight were delivering promising results in the first half of financial year 2015.

Set against a backdrop of higher supply and softening prices, the Directors remain optimistic about the business which continues to trade in line with its strategic plan.

AUDITORS 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 7.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.

Peter Bender
DIRECTOR

Melbourne
Dated this 23rd day of February 2015

pwc

Auditor's Independence Declaration

As lead auditor for the review of Huon Aquaculture Group Limited for the half-year ended 31 December 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 review; and
(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Daniel Rosenberg
Partner
PricewaterhouseCoopers

Melbourne
23 February 2015

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HUON AQUACULTURE GROUP LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	Half - Year 2014 $'000	Half - Year 2013 $'000
Revenue		98,825	94,483
Other income		1,718	1,724
Fair value adjustment of biological assets		16,244	6,688
Changes in inventories of finished goods and work in progress		21,297	14,180
Raw materials and consumables used		(58,782)	(48,018)
Employee benefits expense		(23,678)	(19,881)
Depreciation and amortisation expense	2(b)	(6,033)	(3,981)
Finance costs		(1,866)	(1,890)
Freight & Distribution expense		(4,808)	(4,470)
Other expenses		(5,850)	(5,587)
Profit before income tax expense		37,067	33,248
Income tax expense		(11,126)	(9,983)
Net Profit for the half-year		25,941	23,265

	2014	2013
Earnings per share for profit attributable to the ordinary equity holders of the company *:	Cents	Cents
Basic earnings per share	36.5	38.1
Diluted earnings per share	36.5	38.1
*** Weighted average numbers of ordinary shares used in the of earnings per share:**		
Number of shares for basic earnings per share	71,014,971	60,992,546
Number of shares for diluted earnings per share	71,014,971	60,992,546

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

HUON AQUACULTURE GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	Half - Year 2014 $'000	Half - Year 2013 $'000
Profit for the half-year		25,941	23,265
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		25,941	23,265

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

HUON AQUACULTURE GROUP LIMITED
CONSOLIDATED BALANCE SHEET
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 $'000	30 June 2014 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		60,347	2,215
Trade and other receivables		26,180	20,585
Inventories		6,958	5,147
Biological assets	4	158,566	122,834
Other financial assets		157	-
Other assets		2,687	2,590
TOTAL CURRENT ASSETS		254,895	153,371
NON-CURRENT ASSETS			
Financial assets		1,341	853
Property, plant and equipment	5	144,912	95,444
Other assets	6	12,231	8,115
Intangible assets		2,708	2,708
TOTAL NON-CURRENT ASSETS		161,192	107,120
TOTAL ASSETS		416,087	260,491
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		57,948	35,159
Borrowings	7	5,020	6,216
Other financial liabilities		-	58
Current tax liabilities		563	7,809
Provisions		4,856	4,368
Deferred revenue	8	3,050	-
TOTAL CURRENT LIABILITIES		71,437	53,610
NON-CURRENT LIABILITIES			
Borrowings	7	43,251	60,473
Deferred tax liabilities		43,578	35,256
Provisions		1,392	1,229
TOTAL NON-CURRENT LIABILITIES		88,221	96,958
TOTAL LIABILITIES		159,658	150,568
NET ASSETS		256,429	109,923
EQUITY			
Contributed equity		164,302	42,937
Retained earnings		92,127	66,986
TOTAL EQUITY		256,429	109,923

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

HUON AQUACULTURE GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	Contributed Equity $'000	Retained Earnings $'000	Total Equity $'000
Consolidated				
Balance at 1 July 2013		42,937	34,189	77,126
Profit for the half-year		-	23,265	23,265
Total comprehensive income for the half-year		-	23,265	23,265
Dividends provided for or paid	3	-	-	-
Balance at 31 December 2013		42,937	57,454	100,391
Balance at 1 July 2014		42,937	66,986	109,923
Profit for the half-year		-	25,941	25,941
Total comprehensive income for the half-year		-	25,941	25,941
Contributions of equity, net of transaction costs	9	121,365	-	121,365
Dividends provided for or paid	3	-	(800)	(800)
Balance at 31 December 2014		164,302	92,127	256,429

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

HUON AQUACULTURE GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	Half - Year 2014 $'000	Half - Year 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		94,651	89,458
Interest received		214	31
Payments to suppliers and employees		(69,226)	(64,809)
Finance costs		(1,866)	(1,872)
Income tax (paid)/refunded		(8,470)	(1,224)
Net cash provided by/(used in) operating activities		15,303	21,584
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		25	3
Purchase of property, plant and equipment		(55,354)	(15,205)
Purchase of other assets		(3,321)	-
Net cash provided by/(used in) investing activities		(58,650)	(15,202)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		54,810	-
Repayment of borrowings		(72,648)	(2,477)
Dividends paid		(800)	-
Proceeds from issue of shares, net of transaction costs		120,117	-
Net cash provided by/(used in) financing activities		101,479	(2,477)
Net increase/(decrease) in cash held		58,132	3,905
Cash and cash equivalents at beginning of half year		2,215	1,785
Cash and cash equivalents at end of half year		60,347	5,690

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

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

Note 1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Huon Aquaculture Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

(a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 30 June 2015 annual report as a consequence of these amendments.

(b) Impact of standards issued but not yet applied by the entity

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also introduces new hedging rules and a new impairment model. The standard is not applicable until 1 January 2018 but is available for early adoption.

The group has not yet assessed how its own hedging arrangements would be affected by the new rules, and it has not yet decided whether to adopt any parts of AASB 9 early. In order to apply the new hedging rules, the group would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety.

AASB 15 Revenue from Contracts with Customers introduces a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received for that transfer.

The group has not yet assessed the effect of the standard and it has not yet decided whether to adopt AASB 15 early.

(c) Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2014.

(d) Seasonality

The group typically generates greater earnings in the first half of the financial year because fish harvested in the second half of the year incur greater costs. A significant proportion of the fish harvested in the second half of the year are in the sea across two summers, incurring greater production costs due to the warmer water temperature.

Note 2 Profit and loss information

	Half-year 2014 $'000	Half-year 2013 $'000
(a) Significant Revenue and Expenses		
The following significant revenue and expense items are relevant in explaining the financial performance:		
— expenses directly related to the initial public offering	653	-
— employee share offer pursuant to initial public offering	474	-

(b) Depreciation

	2014 $'000	2013 $'000
— Gross Depreciation of non-current assets	5,885	3,833
— Gross Amortisation of non-current assets	148	148
Gross depreciation and amortisation	6,033	3,981
— Depreciation - net impact recognised in changes in inventories of finished goods and work in progress	(1,857)	68
Net depreciation and amortisation	4,176	4,049

(c) Income Tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the half year to 31 December 2014 and for the half year to 31 December 2013 is 30%.

Note 3 Dividends

	Half-year 2014 $'000	Half-year 2013 $'000
Ordinary shares		
Dividends provided for or paid during the half-year	800	-

Note 4 Biological Assets

	31 December 2014 $'000	30 June 2014 $'000
Biological assets at fair value (i)		
Fair value	158,566	122,834
Closing fair value adjustment on biological assets	52,374	36,130
Total weight of live finfish at sea (ton)	17,441	11,653

(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 13 for fair value measurement and hierarchy.

The movement in the fair value adjustment of biological assets at each reporting period is recognised in the income statement.

Note 5 Property, Plant and Equipment

Consolidated:	Construction Work in Progress $'000	Freehold Land $'000	Buildings $'000	Plant and Equipment $'000	Leased Plant and Equipment $'000	Total $'000
At 30 June 2014						
Cost or fair value	27,353	1,282	7,116	130,624	600	166,975
Accumulated Depreciation	-	-	(608)	(70,696)	(227)	(71,531)
Net book amount	**27,353**	**1,282**	**6,508**	**59,928**	**373**	**95,444**
Half-year ended 31 December 2014						
Opening net book amount	27,353	1,282	6,508	59,928	373	95,444
Additions	-	-	-	1,968	-	1,968
Work In Progress Additions	53,386	-	-	-	-	53,386
Capitalisation to asset categories	(38,909)	-	3,477	35,432	-	-
Transfers to asset categories	-	-	-	373	(373)	-
Disposals	-	-	-	(1)	-	(1)
Depreciation charge	-	-	(66)	(5,819)	-	(5,885)
Closing net book amount	**41,830**	**1,282**	**9,919**	**91,881**	**-**	**144,912**
At 31 December 2014						
Cost or fair value	41,830	1,282	10,593	168,532	-	222,237
Accumulated Depreciation	-	-	(674)	(76,651)	-	(77,325)
Net book amount	**41,830**	**1,282**	**9,919**	**91,881**	**-**	**144,912**

Note 6 Other Non-Current Assets

	31 December 2014 $'000	30 June 2014 $'000
Marine farming leases - at cost	16,238	13,405
Accumulated amortisation	(5,438)	(5,290)
	10,800	8,115
Prepayments	1,431	-
	12,231	8,115

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

Note 7 Borrowings

The group entered into a facility agreement to refinance its debt facilities in October 2014 with three new facilities ("New Banking Facilities"). The New Banking Facilities (together with certain proceeds from the issue of New Shares under the Initial Public Offering) will be utilised to fund operations and Huon's Controlled Growth Strategy.

The New Banking Facilities comprise of:
- $25m five year amortising facility ("Facility A");
- $25m five year bullet facility ("Facility B"); and
- $30m three year revolver facility ("Facility C").

The New Banking Facilities have a variable interest rate on amounts drawn to be calculated at a variable rate by reference to the Australian dollar BBSY, plus a margin. In addition, line fees are also payable by the group in respect of the New Banking Facilities.

Facility A
Facility A is a five year amortising term loan facility with scheduled repayments of $5m per annum which fully repays the principal amount of the facility within the five year term. Facility A may be prepaid voluntarily prior to maturity without penalty; however, once repaid amounts cannot be redrawn against this facility.

Facility B
Facility B is a five year bullet term loan facility. No interim scheduled principal repayments are required for this facility prior to its maturity date. Facility B may be prepaid voluntarily prior to maturity without penalty; however, once repaid amounts cannot be redrawn against this facility.

Facility C
Facility C is a three year revolving loan facility for capital expenditure. Facility C may be prepaid voluntarily prior to maturity without penalty, this facility is currently undrawn.

Contractual maturities of financial liabilities At 31 December 2014	Less than 6 months $'000	6 - 12 months $'000	Between 1 - 2 years $'000	Between 2 - 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount $'000
Non-derivatives							
Trade payables	57,948	-	-	-	-	57,948	57,948
Borrowings	3,712	3,649	7,109	43,250	-	57,721	48,271
Total non-derivatives	61,660	3,649	7,109	43,250	-	115,669	106,219

Contractual maturities of financial liabilities At 30 June 2014	Less than 6 months $'000	6 - 12 months $'000	Between 1 - 2 years $'000	Between 2 - 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount $'000
Non-derivatives							
Trade payables	35,159	-	-	-	-	35,159	35,159
Borrowings	1,925	4,502	7,991	58,997	-	73,415	66,535
Finance lease liabilities	66	66	33	-	-	165	154
Total non-derivatives	37,150	4,568	8,024	58,997	-	108,739	101,848

Loan covenants
The new loan agreement also made changes to the loan covenants:

- The Equity Ratio (Tangible Net Worth/Total Tangible Assets) is greater than 50% (to be measured annually on 30 June);
- The Leverage Ratio (Gross Debt/EB ITDA) is less than 2.00 times (measured quarterly on a rolling 12 month basis);
- The Debt Service Cover Ratio (Cash Available for Debt Service/Total Finance Costs) is greater than 1.50 times from financial close until 30 June 2016 and thereafter is greater than 1.75 times (in each case, measured quarterly on a rolling 12 month basis); and
- Actual capital expenditure is not more than 110% of the annual capital expenditure budget approved by financiers

Financing arrangements
The group's undrawn borrowing facilities were as follows:

	31 December 2014 $'000	30 June 2014 $'000
Floating rate		
Expiring within one year (bank loans)	-	9,600
Expiring beyond one year (bank loans)	30,000	6,040
	30,000	15,640

Note 8 Deferred revenue

	31 December 2014 $'000	30 June 2014 $'000
Deferred government grants	3,050	-

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.

Note 9 Equity Securities Issued

	31 December 2014 Shares	30 June 2014 Shares	**31 December 2014 $'000**	30 June 2014 $'000
Half-year ended 31 December 2014				
Opening Balance	1,848,259	1,848,259	42,937	42,937
Share subdivision	60,992,547	-	-	-
Issues of ordinary shares during the half-year				
Issue of new shares pursuant to initial public offering	26,244,910	-	124,580	-
Transaction costs taken to equity	-	-	- 3,689	-
Issue of shares for no consideration:				
Employee offer pursuant to initial public offering	99,750	-	474	-
	87,337,207	1,848,259	164,302	42,937

In September 2014 the issued ordinary share capital in the Company was subdivided on the basis of 33 shares for every 1 share held. This increased the number of shares on issue from 1,848,259 to 60,992,547.

Note 10 Commitments

	31 December 2014 $'000	30 June 2014 $'000
(a) Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Capital expenditure projects	6,204	6,938
	6,204	6,938
Payable:		
— not later than 12 months	6,204	6,938
— between 12 months and five years	-	-
— greater than five years	-	-
	6,204	6,938
(b) Operating Commitments		
Significant lease contracts entered into during the interim period:		
Hire of 'Ronja Huon' - Well boat	66,599	-
Payable:		
— not later than 12 months	8,553	-
— between 12 months and five years	34,214	-
— greater than five years	23,832	-
	66,599	-

Note 11 Contingent Liabilities and Contingent Assets

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

Note 12 Related Party Transactions

The following significant transactions occurred with related parties:

	31 December 2014	30 June 2014
	$	$
i. Dividend revenue		
Key Management Personnel:	800,000	1,000,000
ii. Purchases from entities controlled by key management personnel The group acquired the following goods and services from entities that are controlled by members of the group's key management personnel:		
- Acquisition of Land, Buildings, Property Plant and Equipment and Other Financial Assets	5,793,700	4,700,000
- Leases of assets	386,992	996,141
	6,180,692	5,696,141

In determining the disclosures noted above, the Key Management Personnel have made appropriate enquiries to the best of their ability and the information presented reflects their knowledge.

Transactions entered into during the half year with Directors and Executives of the Company and its controlled entities and with close members of their families occur on terms and conditions no more favourable than those it is reasonable to expect the entity would have adopted if dealing at arm's length with an unrelated person.

Note 13 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 4) and
— derivatives

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-recurrring 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.

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.

Note 13 Fair Value Measurements (cont.)

		31 December 2014			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements	**Notes**	$'000	$'000	$'000	$'000
Financial assets					
— Biological Assets	4	-	-	158,566	158,566
— Derivatives		-	157	-	157
Total financial assets recognised at fair value		-	157	158,566	158,723

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.

Borrowings and other financial instruments' fair value is not significantly different to their carrying value.

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 31 Dec 2014 $'000	Unobservable Inputs	Relationship of Unobservable Inputs to Fair value
Biological Assets	158,566	Fish growth rates	Increase in growth rates would increase fair value
		Fish mortality rates	Increase in mortality rates would decrease fair value

Sensitivity analysis - Biological assets

Based on the market prices utilised at 31 December 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 $974,195 higher / lower (30 June 2014: $886,229 higher / lower).

Note 14 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 15 Events occurring after the reporting period

In the interval between the end of the half-year and the date of this report there has not been any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial

Note 16 Company Details

The registered office of the company is:

Huon Aquaculture Group Limited
Level 13, 188 Collins Street
Hobart
Tasmania 7000

The principal place of business is:

Huon Aquaculture Group Limited
961 Esperance Coast Road
Dover
Tasmania 7117

HUON AQUACULTURE GROUP LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 18 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date and

(b) there are reasonable grounds to believe that Huon Aquaculture Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Peter Bender
Director

Melbourne
Dated this 23rd day of February 2015

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Huon Aquaculture Group Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2014, the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Huon Aquaculture Group Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Huon Aquaculture Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Report on the Half-Year Financial Report (continued)

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Huon Aquaculture Group Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Daniel Rosenberg
Partner

Melbourne
23 February 2015