

# **HUON AQUACULTURE GROUP LIMITED**

ABN 79 114 456 781

**Interim Financial Report  
For the Half Year Ended 31 December 2015**

# HUON AQUACULTURE GROUP LIMITED

## Interim Financial Report for the Half Year Ended 2015

CONTENTS	Page
Directors' Report	1
Auditor's Independence Declaration	9
Consolidated Income Statement	11
Consolidated Statement of Comprehensive Income	12
Consolidated Balance Sheet	13
Consolidated Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15
Notes to the Consolidated Financial Statements	16
Directors' Declaration	25
Independent Auditor's Review Report to the Members	26

---

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 2015 and any public announcements made by Huon Aquaculture Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of ASX listing rules.

HUON AQUACULTURE GROUP LIMITED  
DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Huon Aquaculture Group Limited (the "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2015 (the "Group", "Huon").

## **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	Executive Director
Frances Bender	Executive Director
Peter Margin	Non-Executive Chairman
Neil Kearney	Non-Executive Director
Simon Lester	Non-Executive Director

## **COMPANY SECRETARY**

Thomas Haselgrove

## **PRINCIPLE ACTIVITIES**

The principle activities of the Group during the financial period were hatching, farming, processing, sales and marketing of Atlantic salmon and Ocean trout.

## **OPERATING AND FINANCIAL REVIEW**

### Performance overview

Huon reported strong sales revenue of \$131.1 million, up 33% on the previous comparable period against a 41% reduction in Operating EBITDA<sup>1</sup> from \$26.9 million to \$15.8 million. Huon recorded a statutory net loss after tax (NPAT) for the half-year ended 31 December 2015 of \$1.3 million, a decline from the \$25.9 million profit reported for the same period last year. This compares favourably to the Operating EBITDA<sup>1</sup> of \$13.6 million for the half year ended 30 June 2015 and statutory loss (NPAT) of \$9.3 million for the same period.

There were a number of factors which, in combination, amplified their impact on this result and are not expected to be repeated in the future:

- A 57% rise in sales volume and associated costs as a result of a planned increase in production, good growing seasons and the decision to accelerate the harvest program in order to mitigate the risk of forecast El Nino conditions and other environmental factors;
- Revenue increased 33%, as average pricing was impacted by the increased weighting in the channel mix towards the lower margin export market;
- EBITDA<sup>1</sup> declined as margins tightened as a consequence of accelerating the harvest and increasing sales into export markets which also resulted in increased costs associated with freight; and
- The Fair Value Adjustment of Biological Assets declined by \$7.6 million, compared with an increase of \$16.2 million in previous comparable period, as a consequence of reduced fish assets due to the accelerated harvest and a market valuation that incorporated the shift toward the lower priced export market.

<sup>1</sup> EBITDA is a non-IFRS financial measure which is used to measure business performance, using net depreciation and amortisation recognised in the income statement. Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets.

## FINANCIAL SUMMARY

Six Months Ended		31 Dec 2015	30 Jun 2015	31 Dec 2014	% Change Dec on Dec
Tonnage	t	12,288	8,686	7,850	57%
Revenue <sup>^</sup>	\$M	131.1	93.1	98.6	33%
Revenue per kg	\$	10.67	10.72	12.56	-15%
Statutory EBITDA*	\$M	8.2	(7.9)	43.1	-81%
Operating EBITDA*	\$M	15.8	13.6	26.9	-41%
Statutory NPAT	\$M	(1.3)	(9.3)	25.9	-105%
Operating NPAT**	\$M	4.0	5.7	14.6	-73%
Fair value Adjustment	\$M	(7.6)	(21.5)	16.2	-147%
Biological Assets	\$M	135.5	151.8	158.6	-15%
Net debt***	\$M	47.1	33.0	(12.1)	-490%
Earnings Per Share	c	(1.5)	(11.8)	36.5	-104%
Operating Cash Flow Per Share	c	19.7	2.3	17.5	13%
Total Gearing Ratio****	%	19.1%	13.3%	-4.7%	-506%

<sup>^</sup> Revenue from the sale of goods

\* EBITDA is a non-IFRS financial measure which is used to measure business performance, using net depreciation and amortisation recognised in the income statement. Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets.

\*\* Operating NPAT is Statutory NPAT excluding the impact of the Fair Value Adjustment of Biological Assets

\*\*\* Net debt is total debt net of cash at bank

\*\*\*\* Total Gearing Ratio is measured as debt (net of cash)/net assets

## Record Sales Volume and Revenue

Sales volume (+57%) and revenue were up substantially on the comparable 2014 December half and also on that reported for the second half of financial year 2015 (FY2015). Predictions of a significant El Nino event in 2015-16, resulted in changes being made to the harvest plan for the latter half of 2015. As a consequence the harvesting of fish stocks associated with the increase in production (2014 Year Class) was brought forward to avoid holding large volumes of stock over the hotter summer months. A good growing season, combined with the success of the new fortress pens, produced high numbers of good quality fish of above average weight (>5kg). Sales volume well exceeded demand from the domestic market with additional production channeled into exports. The weaker uplift in revenue (+33%) relative to volume (+57%) and the reduction in revenue per kg reflects the impact of this higher contribution of exports to the overall weighted average price.

The extent to which the sales profile for the first half diverged from previous periods is illustrated in the following table which breaks down Huon's sales by channel to market.

**Table 1: Sales revenue segmented by Channel**

Six Months Ended	31 Dec 2015	30 Jun 2015	31 Dec 2014
Domestic	65%	77%	93%
Export	35%	23%	7%

### EBITDA and Biological Assets impacted by accelerated harvest

The decline in EBITDA in the first half reflects the combination of increased costs associated with volume expansion; risk mitigation activities including the accelerated harvest strategy; increased concentration of sales into exports; and additional cost including higher feed cost and other costs as the business transitions to a new production platform through the final phase of implementation of the Controlled Growth Strategy (CGS).

Huon's relative performance in this half is accentuated by comparison with very different operating conditions in the previous comparable period. At that time biological assets were increasing due to the increase in production (the 2014 year class of fish (14YC)) and earnings reflected the dominance of sales through the higher margin wholesale channel. By contrast, margins in the first half of FY2016 were doubly impacted by the necessary acceleration of the harvest as well as having to process the additional 14YC volumes produced as part of the Group's competitive response to imports. In addition, the Group experienced increased stock losses from seal activity in the older style pens as it transitioned to the new production platform. The additional tonnages (+57%) harvested had to be exported, increasing costs due to additional freight (+109%) and reducing the overall weighted average price received, resulting in significant margin compression in this period.

**Table 2: EBITDA Analysis**

Six Months Ended		31 Dec 2015	30 Jun 2015	31 Dec 2014	% Change Dec on Dec
Sales Revenue <sup>^</sup>	\$M	131.1	93.1	98.6	33%
EBITDA*	\$M	8.2	(7.9)	43.1	-81%
EBITDA Margin	%	4.8	-9.1	44.3	-89%
Fair Value Adjustment	\$M	(7.6)	(21.5)	16.2	-147%
Operating EBITDA*	\$M	15.8	13.6	26.9	-41%
Operating EBITDA Margin	%	12.0	14.6	27.2	-56%

<sup>^</sup> Revenue from the sale of goods

\* EBITDA is a non-IFRS financial measure which is used to measure business performance, using net depreciation and amortisation recognised in the income statement. Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets.

### Fair Value Adjustment

As Table 2 illustrates, Huon's EBITDA margin looks very different depending on whether it includes the fair value adjustment at the end of each period. Underlying business performance is typically tracked by Operating EBITDA excluding the fair value adjustment. In this current financial period the fair value adjustment was a loss of \$7.6 million due to the reduction in fish numbers following the accelerated harvest and a market valuation that incorporated the shift toward the lower priced export market. In the previous comparable period the fair value adjustment was a profit of \$16.2 million due to increasing fish numbers and higher prices.

### Healthy Cash Flow and Strong Balance Sheet

The business fundamentals of Huon remain sound despite the short term challenges that have impacted this result. The Group's operating cash flow was \$17.2 million and was used to partly fund \$31.3m for the ongoing implementation of the Controlled Growth Strategy (CGS). The balance of the CGS was funded from borrowings (\$11.1 million).

Despite overall debt increasing from \$45.8 million in the prior corresponding period to \$57.8 million, gearing at 19.1% remains conservative.

## Biological Assets

The decline in valuation of biological assets (-15.0% on prior comparable period) reflects a reduced fair value adjustment as a consequence of the reduced biomass (-17%) from the accelerated harvest program and shift in channel mix toward the lower priced export market.

**Table 3: Biological Assets**

Six Months Ended		31 Dec 2015	30 Jun 2015	31 Dec 2014
<b>Biological assets at fair value</b>	\$M	135.5	151.8	158.6
<b>Fair value adjustment</b>	\$M	23.3	30.9	52.4
<b>Biological assets</b> (net of Fair Value Adjustment)	\$M	112.2	121.0	106.2
<b>Total weight of live finfish at sea</b>	t	14,499	15,949	17,441

## Risk Mitigation in Action

Huon rigorously manages risk for both the short and long term. Effective risk mitigation is critical to sustainable improvements in the Group's earnings.

### *Environment*

In the current financial year, the environmental risks posed by a predicted severe El Nino in 2015-16 resulted in a deliberate change to Huon's harvest profile. This El Nino is one of the three largest such events recorded in Australia, challenging the intensity of those in 1982-83 and 1997-98. Harvesting of the 2014 Year Class fish was accelerated to reduce stocks held over the predicted hotter summer months.

As expected, the hot summer has put Macquarie Harbour under additional stress, with oxygen levels in the water falling. Huon has responded by reducing feed and installing oxygenating systems to limit the impact of the degrading environment on its fish. Decreasing stocking densities and reducing reliance on this environmentally sensitive growing region has been a high priority ahead of the hotter summer months. The majority of this transition was completed during the first half and Macquarie Harbour now accounts for less than 15% of Huon's salmon production.

Longer term, the implementation of the Group's CGS and moving Huon's growing pens further offshore into deep water, high energy sites are important risk management strategies. The size of the new fortress pens enables stocking densities to be further reduced, giving the fish a better environment in which to grow, substantially lessening the risk of losses during that growth period. The new pens have also significantly reduced wildlife interactions, thereby reducing a major contributor to mortality risk over the longer term. The well-boat and new feed barges have been an integral part of Huon's move to the better performing, higher energy sites.

In December 2015 Huon acknowledged that it had exceeded its dissolved nitrogen input limits as a result of additional feed inputs into the Huon River. Huon has approached the management of this issue responsibly. The issue arose as a result of a range of factors including unprecedented salmon growth rates attributed to the success of the CGS and specifically the new fortress pens. In addition, unforeseen delays in changes to leases and the move to off-shore farming in Storm Bay had also played a role.

#### *People and Safety*

Huon's continued focus on safety has also resulted in a marked improvement in its Loss Time Injury Frequency Rate (LTIFR) from 20.0 in the previous comparable period to 8.0 in the first half. The new fortress pens are creating a safer working environment as well as delivering environmental dividends such as reduced interactions with wildlife. There has also been a 50% reduction in slips, trips and falls (traditionally Huon's number one injury category) since the new fortress pens have been rolled out across all farming regions.

These improvements reflect the ongoing promotion of a "Safety First" culture within Huon, its investment in an expanded safety team and a relentless focus on safety improvements across all areas of the business. In line with these pleasing results, Huon was recently recognised as an 'Employer of Choice'.

**Table 4: Safety Record**

Six Months Ended	31 Dec 2015	31 Dec 2014	Improvement
<b>Loss Time Injury Frequency Rate</b> (per 1,000,000 hours worked)	8.0	20.0	62%
<b>Incident Rate</b> (per 100 employees)	0.8	2.0	62%

#### Update on the Controlled Growth Strategy

The \$200 million CGS is a key pillar of the Group's overall development strategy and its full completion this year is expected to support long term growth in production, increased operational efficiency and higher quality product. The CGS is proceeding as planned in terms of both time frame and budget.

#### *Fortress and Pre-Harvest Holding Pens*

The fortress pens are now in place for all grow-out fish, enabling staff to complete their first full summer utilising the new pens and the new well-boat. As the fortress pens become an integral part of the fish growth cycle, fish mortality rates are expected to decline as a result of less interaction with predators, better growing conditions and lower stress.

The mooring installation and replacement program, designed to ensure that the moorings can withstand the weather and support the new pens in a higher energy environment, will be completed during the second half of this financial year.

The success of the fortress pens for grow-out fish will also be applied to a **pre-harvest holding pen system** that is planned for installation in the second half. The new harvest pen system will utilise the technology of the fortress pens coupled with changes to design and layout that are expected to optimise fish growth, right up until harvest, whilst preserving their condition and quality.

#### *Bathing*

The well-boat now plays a critical role in Huon's operations. All bathing is currently being undertaken by the well-boat. Huon continues to increase its bathing efficiency and, most importantly, is able to bathe safely and efficiently at its higher energy sites.

#### *Feed Barges*

All five feed barges are now operational. This is expected to deliver greater efficiency to Huon's operations and optimise the feeding process. These new barges use highly advanced technology and enable Huon to service all fish pens at the same time with an even distribution of feed. This means every fish has an equal opportunity to feed when they are hungry, resulting in improved and consistent growth rates.

#### *Hatcheries*

Stages one, two and three of the Forest Home Hatchery were completed during the first half and the first eggs have already hatched and been relocated to tanks as fry. The fourth and final stage of the facility will be completed in the second half of the current financial year. It is anticipated that the Forest Home Hatchery will support production growth in the medium term, with improved results expected from the hatchery due to its high water quality. It is also anticipated that the hatchery will enable larger smolt (juvenile fish) to be grown, which is expected to translate to larger fish at harvest and a shorter grow-out time at sea.

#### *Processing*

The Parramatta Creek processing facility was officially opened in July. The new state-of-the-art processing facility will enable the production and innovation of new products and deliver the capability to expand volumes and capitalise on emerging consumer trends. As a consequence, Huon is expected to be in a stronger position to compete directly with imports, as well as supply value-added product to both domestic and international markets. The new facility is expected to deliver efficiency savings of around \$1.0m over the full year.

### Marketing Strategy and Channel Mix

The weakening of prices experienced in both the domestic and export markets through the second half of FY2015 improved during the first half of FY2016.

In the **wholesale market**, pricing improved throughout the half and Huon focused on leveraging its strong and longstanding relationships in that sector. The presence of imports in the domestic market decreased significantly during calendar year 2015 after constrained supply saw imports rise sharply during calendar years 2012-14.

Huon utilised existing and re-established **export channels**, to sell the increased volumes of product generated from its accelerated harvest, albeit at significantly reduced margins when compared to the domestic market.

Huon continues to work on increasing its market presence in the **retail sector** where there is significant growth potential. The successful launch last year of a national, fresh Huon-branded product in the retail sector has given the Huon brand much greater visibility among consumers. The growth of its on-shelf retail presence will be supported by Huon's new product development capabilities, additional production capacity at the new Parramatta Creek processing facility as well as the new wet processing plant in Sydney.



## FY2016 OUTLOOK AND STRATEGIC FOCUS

In terms of the medium-term outlook for **the global salmon market**, there are clear indications that supply will be increasingly constrained over the next 12-24 months. Analysts expect global supply contraction in 2016, the first time this has occurred since the ISA crisis in Chile in calendar 2010. Combined with a reasonable outlook for demand growth, both domestically and globally, prices should be well supported over this time frame.

Huon's view is based on such factors as:

- Forecast decline in salmon production from Norway and Chile, two of the largest salmon producing countries globally. Norway, a major global salmon growing region, is estimating a material decline in salmon production due to the early harvest of smaller fish and the impact of sea lice. Chile is also forecasting production declines over the next few years.
- The limited availability of suitable lease space in major growing regions here and globally will further constrain supply.
- The increased presence of amoebic gill disease globally, including in Norway, Scotland, Ireland, Canada and the US, will hinder optimal harvesting and constrain production in those areas.

These supply constraints are occurring in an environment where global demand is predicted to continue growing at around 5-7 per cent. This supply/demand imbalance is expected to underpin pricing over the next few years.

**Domestically**, growth in demand remains at around 10%. This has been supported by salmon's pricing relative to other proteins, particularly beef and lamb, which have recorded marked price increases. Huon expects to return to a more traditional channel mix for the Group and that imports will reduce during 2016 as a result of a variety of factors, including:

- Australian production being maintained at levels sufficient to supply the domestic market
- Constrained global supply

In summary, the Director's believe that Huon's business strategy remains on track and the fundamentals that drive the business, both internal and external, remain sound. In particular, strong cash flow, appropriate gearing levels and a continued rigorous focus on risk management will continue to underpin the sustainable growth and development of the business.

Despite a good early growing season, environmental conditions have become challenging since December due to hotter temperatures in all growing regions combined with reduced dissolved oxygen in Macquarie Harbour. As a result, fish growth has slowed across all growing regions and most notably in Macquarie Harbour. The reduced growth rates are therefore expected to impact production volumes and fish cost in future periods.

While the accelerated harvest is expected to deliver more balanced earnings (Operating EBITDA) in the second half, the challenging operating environment experienced in the first half will continue to influence trading for the remainder of the financial year. This environmental uncertainty tempers our outlook and as a result the Directors currently expect that the Group's Operating EBITDA for 2H2016 will be less than the Operating EBITDA of \$13.6M reported in the prior comparable period (2H2015).

The Group's full year FY2016 Operating EBITDA is therefore expected to be down on FY2015.

## 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 9.

## 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**

Managing Director and Chief Executive Officer

Melbourne

Dated this 26<sup>th</sup> day of February 2016



## Auditor's Independence Declaration

As lead auditor for the review of Huon Aquaculture Group Limited for the half-year ended 31 December 2015, 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.

A handwritten signature in dark ink, appearing to read 'Daniel Rosenberg', with a long, sweeping horizontal line extending to the right.

Daniel Rosenberg  
Partner  
PricewaterhouseCoopers

Melbourne  
26 February 2016

## Financial Report

For the half-year ended 31 December 2015

<b>Financial statements</b>	Consolidated income statement	Page 11
	Consolidated statement of comprehensive income	Page 12
	Consolidated balance sheet	Page 13
	Consolidated statement of changes in equity	Page 14
	Consolidated statement of cashflows	Page 15

<b>Notes to the financial statements</b>	<b>About this report</b>	Pages 16 - 24
--	--------------------------	---------------

<b>Performance</b>	<b>Investment in controlled growth strategy</b>	<b>Net debt and working capital</b>	<b>Other</b>
1. Revenue	5. Property, plant and equipment	9. Borrowings	11. Key management personnel compensation
2. Profit for the year before tax	6. Other non-current assets	10. Issued Capital	12. Related party transactions
3. Biological assets	7. Capital and leasing commitments		13. Goodwill
4. Dividends	8. Business combination		14. Other liabilities
			15. Contingent liabilities & contingent assets
			16. Segment information
			17. Subsequent events
			18. Company details

<b>Signed reports</b>	Directors' declaration	Page 25
	Independent auditor's review report to the members	Pages 26 - 27

## Consolidated income statement

For the half-year ended 31 December 2015

	Notes	Half-year	
		2015 \$'000	2014 \$'000
<b>Revenue from continuing operations</b>	1 (a)	<b>131,160</b>	98,825
<b>Other income</b>	1 (b)	<b>3,404</b>	1,718
<b>Expenses</b>			
Fair value adjustment of biological assets		(7,592)	16,244
Changes in inventories of finished goods and work in progress		(6,989)	21,297
Raw materials and consumables used		(69,682)	(58,782)
Employee benefits expense	2	(24,287)	(23,678)
Depreciation and amortisation expense	2	(9,053)	(6,033)
Finance costs	2	(1,658)	(1,866)
Freight & distribution expense		(10,056)	(4,808)
Other expenses		(7,130)	(5,850)
<b>Total expenses</b>		<b>(136,447)</b>	(63,476)
<b>(Loss)/ Profit before income tax expense</b>		<b>(1,883)</b>	37,067
Income tax expense		562	(11,126)
<b>(Loss)/ Profit for the half-year</b>		<b>(1,321)</b>	25,941

	Cents per share	Cents per share
	2015	2014
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		
Basic (cents per share)	(1.51)	36.50
Diluted (cents per share)	(1.51)	36.50

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

## Consolidated statement of comprehensive income

For the half-year ended 31 December 2015

	Half-year	
	2015	2014
	\$'000	\$'000
(Loss)/ Profit for the half-year	(1,321)	25,941
Other comprehensive income	-	-
<b>Total comprehensive income for the half-year (net of tax)</b>	<b>(1,321)</b>	<b>25,941</b>
<b>Total comprehensive income attributable to:</b>		
Owners of Huon Aquaculture Group Limited	(1,321)	25,941
	<b>(1,321)</b>	<b>25,941</b>

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

# Consolidated balance sheet

For the half-year ended 31 December 2015

		31 December 2015 \$'000	30 June 2015 \$'000
Notes			
<b>Assets</b>			
<b>Current assets</b>			
		10,807	13,799
		29,645	19,575
		13,230	11,435
	3	135,462	151,837
		-	147
		-	4,357
		2,921	4,325
		<b>192,065</b>	<b>205,475</b>
<b>Non-current assets</b>			
		1,341	1,341
	5	206,602	184,494
	6	10,379	10,592
	13	2,995	2,708
		<b>221,317</b>	<b>199,135</b>
		<b>413,382</b>	<b>404,610</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
		59,398	59,628
	9	2,535	5,867
		2,958	-
		4,632	4,777
	14	464	464
		<b>69,987</b>	<b>70,736</b>
<b>Non-current liabilities</b>			
	9	55,332	40,916
		37,163	40,685
		1,421	1,368
	14	3,582	3,814
		<b>97,498</b>	<b>86,783</b>
		<b>167,485</b>	<b>157,519</b>
		<b>245,897</b>	<b>247,091</b>
<b>Equity</b>			
	10	164,302	164,302
		127	-
		81,468	82,789
		<b>245,897</b>	<b>247,091</b>

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

## Consolidated statement of changes in equity

For the half-year ended 31 December 2015

	Notes	Contributed Equity \$'000	Retained Earnings \$'000	Share-based Payment Reserve \$'000	Total Equity \$'000
<b>Consolidated</b>					
<b>Balance at 1 July 2014</b>		42,937	66,986	-	<b>109,923</b>
Profit for the half-year		-	25,941	-	25,941
Contributions of equity, net of transactions costs		121,365	-	-	121,365
Dividends paid or provided for	4	-	(800)	-	(800)
<b>Balance at 31 December 2014</b>		<b>164,302</b>	<b>92,127</b>	<b>-</b>	<b>256,429</b>
<b>Balance at 1 July 2015</b>		164,302	82,789	-	<b>247,091</b>
Loss for the half-year		-	(1,321)	-	(1,321)
Employee share scheme - value of employee services	9 (c)	-	-	127	127
<b>Balance at 31 December 2015</b>		<b>164,302</b>	<b>81,468</b>	<b>127</b>	<b>245,897</b>

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



## Consolidated statement of cashflows

For the half-year ended 31 December 2015

Notes	Half-year	
	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	124,202	94,651
Payments to suppliers and employees	(109,734)	(69,226)
	<u>14,468</u>	<u>25,425</u>
Interest received	60	214
Interest and other costs of finance paid	(1,658)	(1,866)
Income tax (paid)/refunded	4,355	(8,470)
<b>Net cash inflow/(outflow) from operating activities</b>	<u><b>17,225</b></u>	<u><b>15,303</b></u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	5	25
Payments for property, plant and equipment	(30,233)	(55,354)
Payment for business	(1,073)	-
Payments for other assets	-	(3,321)
<b>Net cash inflow/(outflow) from investing activities</b>	<u><b>(31,301)</b></u>	<u><b>(58,650)</b></u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	-	120,117
Proceeds from borrowings	12,479	54,810
Repayment of borrowings	(1,395)	(72,648)
Dividends paid to company's shareholders	-	(800)
<b>Net cash inflow/(outflow) from financing activities</b>	<u><b>11,084</b></u>	<u><b>101,479</b></u>
Net increase/(decrease) in cash held	(2,992)	58,132
Cash and cash equivalents at beginning of financial year	13,799	2,215
<b>Cash and cash equivalents at end of the half-year</b>	<u><b>10,807</b></u>	<u><b>60,347</b></u>

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

## Notes to the Consolidated Financial Statements

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.

### Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2015 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 2015 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 2016 annual report as a consequence of these amendments.

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

The Directors are continuing to work through the impact of these standards issued but not yet applied on the group.

##### (i) AASB 9 Financial Instruments

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

Following the changes approved by the AASB in December 2014, the group no longer expects any impact from the new classification, measurement and derecognition rules on the group's financial assets and financial liabilities. There will be no impact on the group's accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedging rules align hedge accounting more closely with the group's risk management practices. As a general rule, it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.

The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.

The group has not yet assessed how its own financial instruments would be affected by the new rules, and it has not yet decided whether it should adopt AASB 9 before its mandatory date. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

##### (ii) AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principal that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

Management is currently assessing the impact of the new rules and has identified the following areas that are likely to be affected:

- Extended warranties, which will need to be accounted for as separate performance obligation, which will delay the recognition of a portion of the revenue.
- Consignment sales where recognition of revenue will depend on the passing of control rather than the passing of risks and rewards.
- The balance sheet presentation of rights of return, which will have to be grossed up in future (separate recognition of the right to recover the goods from the customer and the refund obligation).

#### (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 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 2015.

#### (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.

## Notes to the Consolidated Financial Statements (continued)

### Performance

#### 1. Revenue

	Half-year	
	2015	2014
	\$'000	\$'000
(a) Revenue from continuing operations:		
Revenue from the sale of goods	131,100	98,611
Interest income	60	214
<b>Total revenue</b>	<b>131,160</b>	<b>98,825</b>
(b) Other Income:		
Rebates and freight income	2,294	1,668
Government grants	232	-
Other	878	50
<b>Total other income</b>	<b>3,404</b>	<b>1,718</b>
<b>Total revenue and other income</b>	<b>134,564</b>	<b>100,543</b>

#### 2. Profit and loss information

	Half-year	
	2015	2014
	\$'000	\$'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) Expenses:		
Gross Depreciation of non-current assets	8,840	5,885
Gross Amortisation of non-current assets	213	148
<b>Total Gross depreciation and amortisation</b>	<b>9,053</b>	<b>6,033</b>
Depreciation - net impact recognised in changes in inventories of finished goods and work in progress	(658)	(1,857)
<b>Net depreciation and amortisation</b>	<b>8,395</b>	<b>4,176</b>
Interest & fees - other entities	1,658	1,860
Finance lease charges	-	6
<b>Total finance costs</b>	<b>1,658</b>	<b>1,866</b>
Employee benefits expense	24,287	23,678
<b>Total employee benefits costs</b>	<b>24,287</b>	<b>23,678</b>
Net (gain) / loss on disposal of property, plant and equipment	(5)	(25)
(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 2015 and for the half-year to 31 December 2014 is 30%.		

#### 3. Biological assets

	31 December	30 June
	2015	2015
	\$'000	\$'000
Biological assets at fair value (i)		
Opening balance	151,837	122,834
Increase due to production	88,988	164,270
Decrease due to sales / harvest / mortality	(97,771)	(130,007)
Movement in fair value of biological assets	(7,592)	(5,260)
	<b>135,462</b>	<b>151,837</b>
Closing fair value adjustment on biological assets	23,278	30,870
Total weight of live finfish at sea (kg 000's)	14,499	15,949

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

## Notes to the Consolidated Financial Statements (continued)

### 3. Biological assets (continued)

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

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.

#### 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: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: 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.

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 measurement

	31 December 2015			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Biological Assets	-	-	135,462	135,462
Total financial assets recognised at fair value	-	-	135,462	135,462
	30 June 2015			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Biological Assets	-	-	151,837	151,837
Total financial assets recognised at fair value	-	-	151,837	151,837

#### 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	31 December 2015	30 June 2015
Biological assets at fair value	135,462	151,837
Unobservable Inputs	Adjusted weight of live finfish for fair value measurement: 12,258 ton	Adjusted weight of live finfish for fair value measurement: 14,522 ton
	Price per HOG kg \$11.40 to \$11.90	Price per HOG kg \$11.30 to \$11.60
Relationship of Unobservable Inputs to Fair value	Increase in weight would increase fair value	Increase in weight would increase fair value

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

### 4. Dividends

	Half-year	
	2015 \$'000	2014 \$'000
Fully paid ordinary shares		
Dividends provided for or paid during the half-year	-	800

## Notes to the Consolidated Financial Statements (continued)

### Investment in controlled growth strategy

#### 5. Property, plant and equipment

	<b>PROPERTY</b>		<b>PLANT AND EQUIPMENT</b>			
	<b>Freehold land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Leased plant and equipment</b>	<b>Capital work in progress</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated At 30 June 2015</b>						
Cost	3,898	19,313	203,953	-	41,552	268,716
Accumulated depreciation	-	(1,055)	(83,167)	-	-	(84,222)
<b>Net Carrying amount</b>	<b>3,898</b>	<b>18,258</b>	<b>120,786</b>	<b>-</b>	<b>41,552</b>	<b>184,494</b>

#### Half-year ended 31 December 2015

Net carrying amount at the beginning of the half-year	3,898	18,258	120,786	-	41,552	184,494
Additions	32	994	390	-	-	1,416
Disposals and write-offs	-	-	-	-	-	-
Work in progress additions	-	-	-	-	28,817	28,817
Depreciation and amortisation	-	(85)	(8,755)	-	-	(8,840)
Acquisition in business combination	-	-	715	-	-	715
Capitalisation to asset categories	-	-	28,425	-	(28,425)	-
Transfers between classes	-	-	-	-	-	-
<b>Net carrying amount at the end of the half-year</b>	<b>3,930</b>	<b>19,167</b>	<b>141,561</b>	<b>-</b>	<b>41,944</b>	<b>206,602</b>

#### At 31 December 2015

Cost	3,930	20,307	233,483	-	41,944	299,664
Accumulated depreciation	-	(1,140)	(91,922)	-	-	(93,062)
<b>Net Carrying amount</b>	<b>3,930</b>	<b>19,167</b>	<b>141,561</b>	<b>-</b>	<b>41,944</b>	<b>206,602</b>

#### 6. Other non-current assets

	<b>31 December 2015</b>	<b>30 June 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Marine farming leases</b>		
Cost	16,244	16,244
Accumulated depreciation	(5,865)	(5,652)
	<b>10,379</b>	<b>10,592</b>

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

## Notes to the Consolidated Financial Statements (continued)

### 7. Capital and leasing commitments

	31 December 2015 \$'000	30 June 2015 \$'000
<b>Non-cancellable operating leases</b>		
Not longer than 1 year	12,719	10,992
Longer than 1 year and not longer than 5 years	43,964	38,397
Longer than 5 years	20,703	24,279
	<b>77,386</b>	<b>73,668</b>
<b>Capital expenditure commitments</b>		
Plant and equipment	-	-
Capital expenditure projects	-	81
	-	<b>81</b>
Payable:		
Not longer than 1 year	-	81
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	<b>81</b>

### 8. Business combination

On 2 July 2015 Huon Aquaculture Group Limited acquired a small processing operation in outer Sydney for cash consideration of \$1,073,000, which has expanded the group's distribution capability to deliver the freshest product across Australia.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

<i>Purchase consideration</i>	\$'000
Purchase consideration - cash paid	1,073

#### *Acquisition values*

The fair values of the assets and liabilities of the operation at the date of acquisition are:

	Fair value \$'000
Property, plant and equipment	715
Raw material and consumables	71
Goodwill	<u>287</u>
	1,073

#### *(i) Acquisition related costs*

Acquisition related costs of \$60,850 are included in other expenses in profit or loss.

#### *(ii) Goodwill*

The goodwill is attributable to the operations existing distribution network, and synergies expected to arise after the group's acquisition of the operation. None of the goodwill is expected to be deductible for tax purposes. See note 13 for the changes in goodwill as a result of the acquisition. No other intangibles or know how was acquired in the transaction.

#### *(iii) Revenue and profit contribution*

The acquired business contributed revenues of \$2,916,363 and net profit of \$697,888 to the group for the period from 2 July 2015 to 31 December 2015. If the acquisition had occurred on 1 July 2015, consolidated revenue and consolidated profit for the half-year ended 31 December 2015 would not have been different from the amounts disclosed in the consolidated income statement.

# Notes to the Consolidated Financial Statements (continued)

## Net debt and working capital

### 9. Borrowings

	31 December 2015 \$'000	30 June 2015 \$'000
<b>Current</b>		
Secured		
Finance lease liabilities	-	-
Bank Loans	2,378	4,879
Other Loans	139	970
Unsecured		
Other loans	18	18
	<b>2,535</b>	<b>5,867</b>
<b>Non-current</b>		
Secured		
Finance lease liabilities	-	-
Bank Loans	55,268	40,852
Other Loans	-	-
Unsecured		
Other loans	64	64
	<b>55,332</b>	<b>40,916</b>
	<b>57,867</b>	<b>46,783</b>

The weighted average effective interest rate on the bank loans is 3.85% per annum (30 June 2015: 3.94% per annum).

#### Summary of facilities (\$'000)

Summary of facilities (\$'000)	31 December 2015		30 June 2015	
	Limit	Undrawn Balance	Limit	Undrawn Balance
Term Loan	45,625	-	46,250	-
Term Loan	30,000	17,500	30,000	30,000
Working Capital	-	-	-	-
Bank Guarantee	2,500	200	2,500	200
Term Loan	-	-	-	-
Uncommitted foreign exchange contracts	-	Discretionary	-	Discretionary
Uncommitted interest rate swaps	-	Discretionary	-	Discretionary
Aggregate Facility Limit	78,125		78,750	
Aggregate Undrawn Balance		17,700		30,200

The borrowings are secured by means of a 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.

Contractual maturities of financial liabilities At 31 December 2015	Less than 6 months	6 - 12 months	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total contractual cash flow	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Trade payables	59,398	-	-	-	-	59,398	59,398
Borrowings	2,376	4,624	13,296	50,663	-	70,959	57,867
<b>Total non-derivatives</b>	<b>61,774</b>	<b>4,624</b>	<b>13,296</b>	<b>50,663</b>	<b>-</b>	<b>130,357</b>	<b>117,265</b>
Contractual maturities of financial liabilities At 30 June 2015	Less than 6 months	6 - 12 months	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total contractual cash flow	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Trade payables	59,628	-	-	-	-	59,628	59,628
Borrowings	3,833	2,220	13,583	36,874	-	56,510	46,783
<b>Total non-derivatives</b>	<b>63,461</b>	<b>2,220</b>	<b>13,583</b>	<b>36,874</b>	<b>-</b>	<b>116,138</b>	<b>106,411</b>

#### Loan covenants:

The New Banking Facilities 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/EBITDA) is less than 2.00 times (measured quarterly on a rolling 12 month basis);
- The Interest Cover Ratio for the 12 month period ending on that Calculation Date is greater than 3.5 times (on and from 30 September 2015); and
- Actual capital expenditure is not more than 110% of the annual capital expenditure budget approved by financiers.

The group complied with these ratios throughout the reporting period.

## Notes to the Consolidated Financial Statements (continued)

### 10. Issued Capital

Issued capital as at 31 December 2015 amounted to \$164,302 thousand (87,337,207 ordinary shares). There were no movements in the issued capital of the group in the current half-year.

	Consolidated 2015		Consolidated 2014	
	No.	\$'000	No.	\$'000
(a) Ordinary share capital (fully paid):				
Ordinary shares	87,337,207	164,302	87,337,207	164,302

The company has authorised share capital amounting to 87,337,207 ordinary shares of no par value.

	Note	2015		2014	
		No.	\$'000	No.	\$'000
(b) Movements in ordinary share capital					
At the beginning of the reporting period	(i)	87,337,207	164,302	1,848,259	42,937
Share subdivision	(ii)	-	-	59,144,288	-
Issue of new shares pursuant to initial public offering	(iii)	-	-	26,244,910	124,580
Less: Transaction costs arising on share issues		-	-	-	(3,689)
Deferred tax credit recognised directly in equity		-	-	-	-
Employee offer pursuant to initial public offering	(iii)	-	-	99,750	474
At the end of the reporting period		<b>87,337,207</b>	<b>164,302</b>	<b>87,337,207</b>	<b>164,302</b>

(i) Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

The voting rights attaching to ordinary shares are, on a show of hands every member present at a meeting in person or by proxy shall have one vote, and upon a poll each share shall have one vote.

There are no unquoted equity securities on issue.

There is no current on-market buy-back in respect of the Company's ordinary shares.

(ii) 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.

(iii) Contributed equity increased by \$120,891,186, net of costs and tax effect as the result of the issue of 26,244,910 shares at IPO. In conjunction with the IPO the Employee offer pursuant to initial public offering increased contributed equity by \$473,812.

#### (c) Long-term Incentive Plan

Under the Group's Long-term Incentive (LTI) Plan, performance rights were granted to the Chief Executive Officer and Managing Director, Mr Peter Bender. These performance rights were approved by shareholders at the annual general meeting on 25th November 2015. Senior management were also granted performance rights on 19th October 2015.

The LTI Plan provides that participants are granted performance rights to ordinary shares, subject to the Company meeting specified performance criteria during the performance period, based on the Company's Earnings Per Share (EPS) and Return on Assets (ROA). If the specified performance criteria are satisfied, the Board has resolved to issue, or procure the transfer of Shares, or alternatively pay the cash amount of equivalent value, to Mr Bender and Senior Management on the vesting of those performance rights.

The number of performance rights that a participant will receive under the plan is dependent on the extent to which the performance criteria are met by the Company. If minimum performance hurdles are not met, no performance rights will be issued. 50% of the performance rights granted during the period attach respectively to each of the EPS and ROA performance hurdles.

An employee granted performance rights is not legally entitled to shares in the Company before the performance rights allocated under the LTI Plan vest. A performance right to ordinary shares does not entitle a participant under the LTI Plan to voting rights, participation in new issues of securities, or to receive dividends. In the event that shares are issued under the LTI Plan at the end of the performance period subject to the performance rights, those shares will rank equally with existing ordinary shares, including entitlement to voting rights.

Set out below is a summary of the performance rights granted to participants in the LTI Plan. As the performance right entitles the holder of the right to receive a share for no consideration at a future date, the exercise price is considered to be nil.

The fair value of performance rights is measured at grant date using a Black-Scholes pricing model that takes into account the term of the performance right, the share price at grant date, the expected volatility of the share price of 30% (based on historical daily closing share prices), the expected dividend yield of nil (in accordance with current dividend policy), and the risk free interest rate of 2.7%.

Grant Date	Performance Period		Fair Value	Balance at Start of Year (Number)	Granted during the year (Number)	Vested during the year (Number)	Lapsed during the year (Number)	Balance at end of year (Number)
	From	To						
25-Nov-15	1-Jul-15	30-Jun-16	\$ 4.04	-	47,834	-	-	47,834
25-Nov-15	1-Jul-15	30-Jun-17	\$ 4.04	-	47,834	-	-	47,834
25-Nov-15	1-Jul-15	30-Jun-18	\$ 4.04	-	47,834	-	-	47,834
19-Oct-15	1-Jul-15	30-Jun-16	\$ 4.01	-	60,783	-	-	60,783
19-Oct-15	1-Jul-15	30-Jun-17	\$ 4.01	-	60,783	-	-	60,783
19-Oct-15	1-Jul-15	30-Jun-18	\$ 4.01	-	60,783	-	-	60,783

The expense recognised in relation to performance rights applicable to Key Management Personnel for the interim period ended 31 December 2015 is \$127,455 (2014: Nil)



## Notes to the Consolidated Financial Statements (continued)

### Other

#### 11. Key management personnel compensation

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

#### 12. Related party transactions

There have been no significant transactions entered into with related parties during the interim period.

#### 13. Goodwill

	31 December 2015 \$'000	30 June 2015 \$'000
<b>Gross carrying amount</b>		
Balance at the beginning of the period	4,209	4,209
Additions (refer to note 8 - Business combination)	287	-
Balance at the end of the period	<u>4,496</u>	<u>4,209</u>
<b>Accumulated impairment losses</b>		
Balance at the beginning of the period	(1,601)	(1,601)
Impairment losses for the period	-	-
Balance at the end of the period	<u>(1,601)</u>	<u>(1,601)</u>
<b>Net book value</b>		
Balance at the beginning of the period	2,608	2,608
Balance at the end of the period	<u>2,895</u>	<u>2,608</u>

#### 14. Other liabilities

	31 December 2015 \$'000	30 June 2015 \$'000
Deferred government grants		
Current	464	464
Non-current	<u>3,582</u>	<u>3,814</u>
	<u><b>4,046</b></u>	<u><b>4,278</b></u>

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 not 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.

## Notes to the Consolidated Financial Statements (continued)

### 15. Contingent liabilities & contingent assets

There are no contingent liabilities or contingent assets at the date of this interim financial report.

### 16. 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 farms, processes, markets and sells salmon. Revenue associated with exports meets the quantitative thresholds and management concludes that this segment is reportable.

	Note	Half-year	
		2015 \$'000	2014 \$'000
Revenue from the sale of goods:			
Domestic market		84,775	92,160
Export market		46,325	6,451
Total revenue from the sale of goods	1 (a)	<b>131,100</b>	<b>98,611</b>
Results from segment activities:			
Domestic market		18,915	31,954
Export market		1,843	291
Total results from segment activities		<b>20,757</b>	<b>32,244</b>
Unallocated		(671)	396
Interest income		60	214
Other income		3,404	1,718
Fair value adjustment of biological assets		(7,592)	16,244
Depreciation and amortisation expense		(9,053)	(6,033)
Finance costs		(1,658)	(1,866)
Other expenses		(7,130)	(5,850)
(Loss)/ Profit before income tax expense		<b>(1,883)</b>	<b>37,067</b>

The total of the reportable segments' 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.

All of the non current assets are located in Australia being the domicile country of the group.

The chief operating decision maker only reviews export market sales.

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.

### 17. Subsequent events

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 group, the results of those operations, and the state of affairs of the group, in future financial years.

### 18. 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 7109

HUON AQUACULTURE GROUP LIMITED  
DIRECTORS' DECLARATION

In the directors' opinion;

- (a) the financial statements and notes set out on pages 11 to 24 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 Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the company 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 Margin**  
Chairman

Date: 26 February 2016



**Peter Bender**  
Managing Director and Chief Executive Officer

Date: 26 February 2016



## **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 2015, the consolidated income statement, the consolidated statement of comprehensive income, 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 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 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 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 2015 and its performance for the 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.

### ***Independence***

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

---

**PricewaterhouseCoopers, ABN 52 780 433 757**

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.



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

### ***Report on the Half-Year Financial Report (continued)***

#### ***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 2015 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*.

A handwritten signature in black ink, appearing to read 'PwC', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Daniel Rosenberg', written in a cursive style.

Daniel Rosenberg  
Partner

Melbourne  
26 February 2016