# GROWING HUON

HUON AQUACULTURE GROUP LIMITED

# ANNUAL REPORT 2018

## Contents



## Annual General Meeting 2018

The Annual General Meeting of Huon Aquaculture Group Limited will be held at The Stables, RACV/RACT Hobart Apartment Hotel 154–156 Collins Street Hobart, Tasmania on 31 October 2018.

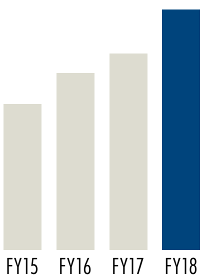
# Huon Aquaculture has delivered another record operating profit as it increases production volumes and prepares for a future of increased farming in high-energy sites offshore.

## Financial highlights

### Sales Revenue
$317.9m

FY2017: $259.5m

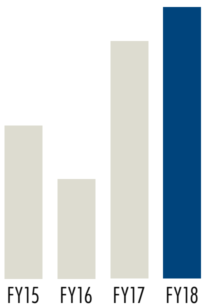
↑ 23%




### Operating EBITDA
$71.8m

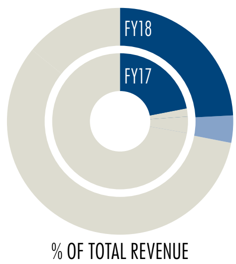
FY2017: $62.8m

↑ 14.3%



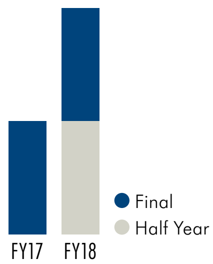

### Retail Market Sales
↑ 58%

FY2018: 28% (FY2017: 22%)
- Domestic: 24%
- International: 4%




### Dividend
10.0c/s

FY2018: 5.0cps+5.0cps
FY2017: 5.0cps (final only)




## Operational highlights

- Record revenues were once again achieved as a result of increased volumes, improved pricing in the domestic market and continued strength in the international salmon price.
- Tonnages increased 25% on the previous year, reflecting Huon's next stage of planned expansion. This was supported by an average fish harvest weight of 4.78kg, matching that of the previous year despite some significant challenges arising from the long summer and the volume of warm water delivered to Southern Tasmania via the East Australian Current. This caused the rapid onset of amoebic gill disease (AGD) throughout south-east Tasmanian salmon leases.
- Operating EBITDA increased by 14% largely underpinned by continued strength in pricing both domestically and offshore and a more balanced channel mix. Operating margins were unable to match the strong performance of the previous year with an increase in growing costs during the year (per HOG kg), but nevertheless remained robust.
- There was continued focus on the expansion of Huon's sales agreements with customers in Asia. This resulted in sales into the international retail market accounting for 4% of total revenue. This further adds to the diversification of Huon's sales mix, providing greater certainty in planning future production.
- The fair value of Huon's biomass at year end decreased by $18.6 million, including a $12.9 million reduction in the Fair Value Adjustment (FVA), to $169.4 million. This reflects the significant reduction in biomass in the water, 12,960t at 30 June 2018 compared to 16,663t 30 June 2017.
- Costs of production were affected by the difficult growing conditions experienced in the second half. This was due to the significant pressures placed on bathing and net cleaning schedules due to the earlier than normal increase in temperatures which persisted through to April. Despite this, average costs of production (per HOG kg) for the year were maintained at the same level as FY2017.
- Cash flow from operations increased during the year to $57.9 million compared to $54.0 million in FY2017. Huon's capital expenditure budget for the year totalled $87.7 million which included the construction of the Whale Point Salmon Nursery and installation of more Fortress Pens and infrastructure in its Storm Bay lease.
- The operating environment globally continues to be supportive of salmon prices being sustained at current levels. This is due to supply not being able to keep up with the growth in demand as some of the major salmon producing countries struggle to manage problems with sea lice and algal bloom. A similar outlook is expected domestically in FY2019 due to the reduction in stock levels arising from the unusually long summer, and production constraints.

# Chairman's Message

Neil Kearney
Chairman

**It has been a particularly busy year for Huon on a number of fronts so it is very pleasing that in reviewing our performance for FY2018, I am able to report another year of record operating earnings for the Company.**

Demand for salmon globally continues to grow at a faster rate than those who produce it are able to supply. As a result salmon prices are remaining firm. Huon is focused on growing its business to meet not only the steady growth in demand from Australians for our home grown Tasmanian salmon, but also the increasing number of markets in Asia that are prepared to pay a premium price for a fresher, higher quality product.

Over the past year we have made some major investments in building capacity that will underpin the next phase of production growth. Growing salmon takes three years from egg to market, so everything we do in our business is done with a 3-5 year time horizon in mind. The planning process and investments made over the last two years have been done on the basis of where we want Huon to be in 2020 and beyond.

Growing a business that relies on the health of the natural environment does not happen in isolation. We are, and always have been, very mindful of our place in the community, our responsibility to operate sustainably and to take care of the environment.

## Business Performance

In FY2018 Huon delivered an operating EBITDA of $71.8 million, an increase of $9.0 million on the previous financial year's result of $62.8 million. This was due largely to a strong increase in production volumes and continued focus on managing costs.

Huon's statutory net profit after tax (NPAT) of $26.4 million, represents a significant fall on the previous year's result of $42.2 million. The volatile nature of Huon's statutory profit is due to accounting standard regulations that require the value of its biological assets to be 'marked to market' as a Fair Value Adjustment. As at 30 June 2018, this value declined by $18.6 million as a result of reduced biomass compared to the previous comparable period.

We are confident, however, that the underlying earnings generated by the business will continue to grow and deliver the cash flows needed to expand production and pay dividends to our shareholders. We are always mindful though that Huon, in common with all aquaculture businesses, is subject to the changeable nature of local and international growing conditions.

The Company's balance sheet remained strong at the end of FY2018 with gearing levels comfortable at 26.1%, despite an increase in Huon's net debt from $43.0 million to $81.3 million as a result of its increased capital expenditure programme.

## Strategy

The Company's over-arching business strategy remains clear. Huon intends to:

- Capture growth in the market from increased consumption, better channel mix, enhancement of sales and brand value, and innovative species diversification;
- Build production and enhance operational efficiency as a result of investments made via the Controlled Growth Strategy program and marine lease optimisation; and
- Safely and sustainably grow the Huon business through development of our people, a strong safety culture and unwavering commitment to continuous improvement and community participation.

Over the past year, the Board has committed to further significant investments in the Company's capacity to expand production and operate its business more sustainably in high-energy sites offshore. This includes ongoing investment in research and development in order to remain at the forefront of developments in salmon farming and to secure our sustainable future.

| The Huon three pillar business strategy | | |
|---|---|---|
| Growing the market | Growing production and operational efficiency | Growing safely and sustainability |

Huon continues to explore the potential of species diversification that can apply the Company's aquaculture expertise more broadly, through its Yellowtail Kingfish trial in NSW.

We are continually improving our business efficiencies and seeking to maximise Huon's channel marketing opportunities. Over the past year we continued to establish a foothold in the growing Asian market by securing sales of Huon Salmon to retailers. We expect this international retail channel to become a growing segment within our channel mix over time.

## Dividend Policy

Last year we stated, at the time of announcing Huon's inaugural dividend, the Board's intention to maintain an annual dividend payout ratio of up to 35% of net operating profit after tax, subject to the financing and capital expenditure requirements of the Company. In light of the strong performance of the business in FY2018, Directors have declared a final dividend of 5.0 cents per share, franked at 50%. This brings the total dividend payment for the year to 10.0 cents per share. The final dividend will be paid on 11 October 2018 to shareholders as at the record date of 14 September 2018.

## Litigation

In early 2017 Huon commenced legal proceedings in the Federal Court of Australia questioning the validity of the Commonwealth Minister's 2012 decision that permitted the expansion of salmon farming in Macquarie Harbour. In July this year Huon received the Court's decision to dismiss our application.

While Justice Kerr dismissed the application and has ordered Huon to pay respondent's costs, the Company firmly believes the action it took was necessary to focus attention on the urgency of addressing the long-term sustainability of Macquarie Harbour. This was vital in order to protect the long-term reputation of the industry and the jobs it supports.

We also welcome the Environment Protection Authority (EPA) Tasmania's recent decision to reduce Macquarie Harbour's biomass cap back to pre-expansion levels and action by the industry to improve farming operations in the Harbour.

## Conclusion

Your Directors are confident that the continued growth in Huon's operating earnings in FY2018 reflects the soundness of the Company's business strategy. This is an exciting time for Huon as the investments that are being made now and in the year to come will provide a new platform for the Company's next phase of growth.

On behalf of the Board I wish to thank our customers, suppliers, local communities, employees, and our shareholders for their support.

**Neil Kearney,** Chairman

# Managing Director's Review

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

## Huon Aquaculture's strong financial performance in FY2018 is testament to the foresight of this Company and the resilience it has developed – a direct consequence of the decision made four years ago to invest heavily in the business. Over the past year Huon remained true to its strategic objective of continuing to invest for growth whilst at the same time managing a number of operational and regulatory challenges. It has done this without losing momentum or its guiding sense of purpose, firmly grounded in always doing what is right.

The 2018 financial year began with plans signed off for a heavy capital expenditure program focused on installing more Fortress Pens and supporting infrastructure in Storm Bay and commencing construction of the 1,400 tonne Whale Point Salmon Nursery. While most of the key enablers for Huon's expansion into high-energy offshore sites had been put in place through the Controlled Growth Strategy (CGS), the Whale Point Salmon Nursery investment represents one of the biggest step changes in core product development and production process since the completion of the CGS. This project is scheduled for completion at the end of 2018.

While the year got off to a strong start with excellent growing conditions and a record average fish harvest weight, the tables quickly turned in November with water temperatures rising rapidly above the level required for optimal growth. Much of the summer was spent adjusting our operations to manage these conditions, including more frequent bathing schedules, as well as dealing with a greater load on net cleaning schedules due to the increased biofouling on the pens.

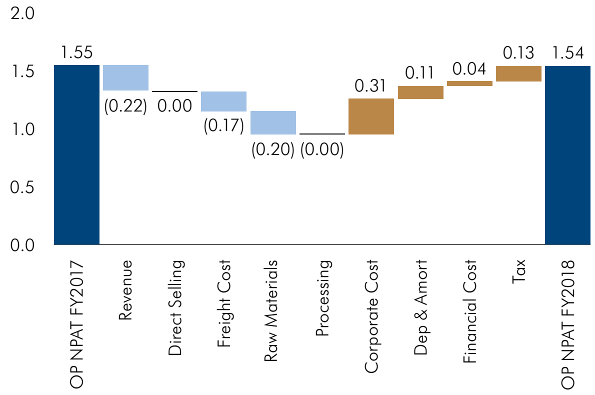
Meanwhile Huon continued to pursue its case through the Federal Court for an improved regulatory regime for Macquarie Harbour. The abnormal weather patterns being experienced over the summer only served to emphasise the critical importance of getting the right regulatory oversight and control for this unique waterway. It continued to be under severe stress which hindered farming operations, and this was further exacerbated by an outbreak of POMV (a type of fish flu) across all salmon leases in December 2017. In May 2018, the Environmental Protection Authority Tasmania determined that the biomass cap would be set at the pre-2012 levels of 9,500 tonnes for the following two years.

The litigation proceedings have a been a tough, uncomfortable and very public process for all involved, but I firmly believe these proceedings have been a catalyst for positive change for our industry.

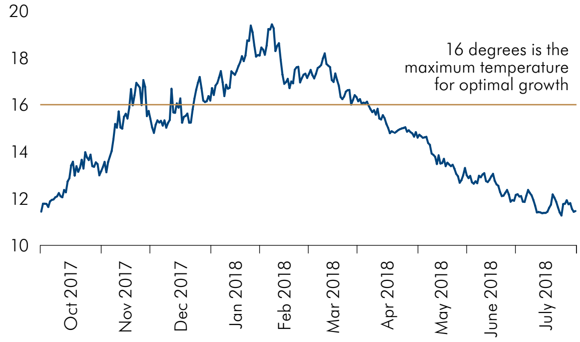
### Overview of Financial Performance

Huon's sales volumes (+24.5%) and revenue (22.5%) both increased strongly in FY2018 as a consequence of the continued strong biological performance of the 2016 Year Class, expanded production volumes and the sustained strength of salmon prices. Nevertheless, tonnages were around 1,500 tonnes less than the 24,500 tonnes that had been forecast due to the abnormal shift in weather patterns in November 2017. The early and rapid rise in water temperature in south-east Tasmania significantly increased the onset of amoebic gill disease (AGD) across our leases, which contributed to higher mortalities and lower fish weights as the fish failed to thrive. As a result we have started FY2019 with a lower biomass level than would otherwise have been the case.

**Operating NPAT Comparison**
FY2017 – FY2018 ($/kg sold)




**Average Daily Water Temperature**
Oct 2017 – July 2018 (°C @ 5 metres)




Source: Australian Government Bureau of Meteorology Summary

Operating EBITDA of $71.8 million (+14%) was generated from annual sales revenue of $317.9 million, delivering a healthy margin of 22.6%. In contrast, statutory EBITDA reduced from $82.0 million to $58.9 million. This is a direct result of the turnaround in the Fair Value Adjustment (FVA) of biological assets from a $19.2 million profit to a decline of $12.9 million. This is also reflected in the balance sheet with a reduction in biological assets from $188.0 million to $169.4 million. The movement in biological assets and the resulting FVA has been primarily driven by the significant reduction in biomass in the water compared to the previous year.

Despite the difficult growing conditions, the underlying strength of our business is demonstrated by the increase in Operating EBITDA. This together with careful management of working capital, resulted in an increase in Operating Cash Flow to $57.9 million compared with $54.0 million in FY2017.

Overall net debt increased from $43.0 million in FY2017 to $81.3 million resulting in gearing rising to 26.1%. This level of gearing (net debt/net assets) sits at a level that management is comfortable with.

While the average cost of production per HOG kg (excluding freight and distribution) for the year declined slightly to $9.91, the extremely difficult operating conditions in the second half drove costs up 11% (on pcp) to $10.42/HOG kg. It is expected that higher costs of production will also impact the first half of FY2019 as the effects of lower growth in the remaining 2017 Year Class fish are managed until they are fully harvested in early CY2019.

## Operating Overview

The three key drivers underlying Huon's performance during the year were:

– lower than expected tonnages and reduced harvest fish weight in the second half due to challenging growing conditions over last summer,
– further diversification of our channel mix by targeting sales into the international retail market, and
– the continued strength in the international and domestic salmon price.

While sales volumes rose 24.5% over the previous year from 18,448 tonnes to 22,968 tonnes, as previously mentioned, this masked the reality of the underlying biological performance which deteriorated markedly during the second half. The average fish harvest weight fell to 4.27kg in the 6 months to 30 June 2018 (the lowest since the 2H2016 average weight of 3.99kg) and 19% below the 5.29kg recorded in the prior six month period. This was offset by an increase in the average sale price during the same period to $14.35/HOG kg compared to $13.89/HOG kg in the previous corresponding period.

In addition to slower growth rates, the poor growing conditions also increased mortalities, contributing to a loss of around 1,500 tonnes in FY2018 from the projected 24,500 tonnes. Further flow-on effects can be anticipated for FY2019 as a result of some of the 2017 Year Class having been harvested earlier than anticipated.

Huon has been researching and testing equipment since 2011 to enable its vision to farm in high-energy offshore sites. During the year our equipment was tested through two particularly extreme weather events at our NSW trial Kingfish site and in southern Tasmania. Both events led to damaged equipment and fish escapes, but pleasingly the core equipment and structure, including the Fortress Pens, were not impacted. Lessons learned have already been applied through modifications to net designs and removal of the older style feeding bins from within pens at high-energy offshore sites.


Checking salmon for pin bones at Parramatta Creek

Building greater depth and resilience into Huon's channel mix has continued to be a strategic priority for Huon. In FY2017 we executed new retail sales agreements in the domestic market, more than doubling the proportion of revenue generated from the retail channel from 10% to 22%.

With overall production tonnages higher in FY2018 compared to the previous year, 24% was allocated to the supply of domestic retail contracts. Huon also shifted its focus to supply salmon to premium retail outlets in the Asian market. Sales through this international retail channel accounted for 4% of revenue reducing the volumes that would otherwise have been sold through the export market at spot prices.

These successes in penetrating the retail segment both domestically and offshore are consistent with Huon's stated strategic business objective of 'growing the market through increased consumption, better channel mix and the enhancement of our sales and brand'. Around 28% of production volume was sold through the retail channel in FY2018, compared to an average of 10–11% prior to FY2017.

Over the year to June 2018 international salmon prices, while volatile, have traded at elevated levels and despite an expected increase in global supply it is not anticipated to meet demand. Prices in the domestic market increased in the second half of FY2018 and are expected to continue to trade at similar levels in the coming year.

## People and Safety

Huon's 'Safety First' ethos focuses on the implementation of a range of safety strategies combined with the continuous improvement of health and safety systems, programs and processes.

A major focus on the Consultation, Cooperation and Coordination Framework is ensuring Huon's team members and leaders are empowered to effectively manage safety and health in their areas of responsibility. Nevertheless, as a consequence of the expansion of activities throughout the group and the growth in employee numbers, the key safety measures weakened slightly compared to the previous year.

| | FY18 | FY17 | FY16 |
|---|---|---|---|
| **Lost Time Injury Frequency Rate (LTIFR)**<br>Number of injuries per 1 million hours worked | 4 | 3 | 7 |
| **Average Lost Time Rate (ALTR)**<br>Hours lost per employee | 14 | 12 | 16 |
| **Incident Rate (IR)**<br>Number of Lost Time Injuries per 100 employees | 1.0 | 0.6 | 1.3 |

Huon has a strong commitment to building the skills, knowledge and capabilities of its people to deliver its business strategy. During the year Huon launched its 'People & Capability' strategy which continues to build the capability of the workforce. This strategy encompasses workforce planning, the development of career pathways, investing in lifting general literacy and numeracy skills as well as information technology competence. A key plank of the 'People & Capability' strategy is the development of leadership capability across the business through the 'Huon Leaders Program' which was developed during the year and is being launched in FY2019.


Some of the many products Huon Aquaculture produces

## Outlook

Little has changed from last year with demand for salmon from Australian consumers expected to continue growing at around 10% per annum and the demand supply dynamics internationally such that pricing is expected to remain above the long-term average.

FY2019 has however commenced with a lower biomass than originally projected due to the difficult growing conditions in FY2018. Current estimates for FY2019 have our harvest volume at just under 20,000 tonnes with an average HOG weight expected to be consistent with that delivered over the past three years. While we remain focused on driving operating efficiencies through the business, the full impact of the reduced biomass effect during FY2018 will be reflected in a higher cost of production per HOG kg in FY2019.

While Huon's primary focus will continue to be growing its wholesale business, our increased exposure to the retail market as a result of retail supply agreements entered into early in FY2017, provides a valuable diversification in Huon's channel mix. We expect sales into this market to at least reflect the growth in demand.

Particular opportunities in overseas markets have assumed greater attention in the past year as Huon has taken advantage of the strong demand for its brand in Asia. While this strategy remains, Huon expects to continue supplying only its longstanding customers in the Japanese market during FY2019, as it is forced to ration the reduced stock available. Increased volumes into the Asian market are expected late in FY2019.

With production levels to remain low in Macquarie Harbour, continued production expansion will occur at our Storm Bay offshore sites. The first fish to sea from the Whale Point Salmon Nursery are expected to be released in May 2019 with associated benefits flowing into FY2020.

Capital expenditure in FY2019 is expected to be around $70 million, down from $88 million in FY2018. Beyond FY2019 capital expenditure it is expected to be well below the levels of FY2018 and FY2019, unless market opportunities dictate otherwise.

A corollary of reduced supply and growing demand is that market pricing levels are expected to remain high globally and this will be exacerbated in the domestic market by the reduction in biomass levels across the Tasmanian salmon industry. Huon is therefore expecting its prices to remain elevated through FY2019 and as a result we are confident that profitability will continue to grow.

Beyond FY2019, Huon's investment in new infrastructure and expanded capacity provides it with a significant platform from which to launch its next phase of growth.

Lastly, at the start of FY2019 we were pleased to announce that the majority of our salmon production has been RSPCA Approved. This is something the business has been working on for a number of years and will stand us in good stead from both an operational and brand positioning perspective.

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

# Managing Risk

Huon team members on a Fortress Pen

| Key risk areas | FY2018 measures |
|---|---|
| **Agricultural risk** (disease, algae, fish growth) | – **Shore based farm control** – feeding all Huon fish from a central feeding room in Hobart, using software analysing live video feeds from the pens to detect pellets falling through the water column and altering feed rates automatically. This ensures that feed wastage is minimised, lowering the impact on the seabed and ultimately achieving optimal fish growth.<br>– **Feed use and growth maximisation** – moving to fully automated and unmanned feed barges that will carry more feed, meaning less feed delivery trips, increased feed security and no missed feed days.<br>– **Continuous improvement in farming strategies** – outcomes from summer have led to improved bathing backup systems and better net cleaning. Huon is now using a split collar liner and pump system that allows fish to be bathed efficiently from one 240m pen to another without relying on the well-boat. More net cleaners with improved levels of technology, have been acquired.<br>– **Broodstock and smolt supply** – along with participation in the industry-wide selective breeding program, new brood stock facilities at Springfield and New Norfolk have been completed to segregate holdings of broodstock. |
| **Environmental risk** (weather, wildlife) | – **Fish health and biosecurity** – continued support and resourcing for the expanded research capability for vaccine development at the Aquatic Animal Health and Vaccine Centre of Excellence (AAHVCE) in Launceston.<br>– **Equipment design and use** – following damage and loss during two significant storm events during the year, there have been improvements to net design and the older style feeding bin has been eliminated from use in high-energy sites.<br>– **Remote monitoring** – the team in the control room is monitoring and ensure that any mortalities are pumped back to barges and ensiled, reducing disease risk and eliminating the use of divers on this task. |
| **Social and Market risk** (reputation, competition, consumer preferences) | – **Brand positioning** – repositioning the Huon brand to more clearly articulate our points of difference through the launch of the 'Not all salmon is Huon' and 'Harvested By Night, Fresher By Day' programs.<br>– **Stakeholder engagement** – continued engagement with a wide range of stakeholders regarding the social and environmental benefits of Huon's operations occurred and is ongoing during a period of increasing concern over industry practices.<br>– **Channel mix** – continuing the growth and penetration of the retail channel in the domestic and international markets providing better balance to the sales portfolio. |
| **Safety risk** | – **Improvement in people and safety** – continued to build the skills, knowledge and capabilities of employees through the 'People & Capability' and 'Huon Leaders Program'. This also encompasses workforce planning, the development of career pathways, investing in lifting general literacy and numeracy skills as well as information technology competence. |

# Financial Summary

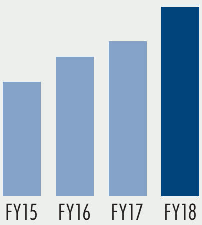
- Revenue of $317.9 million representing a 23% increase in turnover and 25% increase in production volume.
- Operating NPAT increased 23% on record revenues due to increased volumes and stronger prices. Statutory NPAT decreased 37% pcp to $26.4 million driven by the decline in the Fair Value Adjustment of Biological Assets.
- Average harvest weights improved marginally on the previous year as the record average fish weight in the first half was offset by poor fish growth in the second half due to elevated water temperatures from a long, hot summer.
- The 14% increase in operating EBITDA to $71.8 million combined with careful management of working capital resulted in a 7% increase in operating cash flow in FY2018 to $57.9 million (FY2017: $54 million).
- Capex rose to $87.7 million as construction of the Whale Point Salmon Nursery commenced, a step change in core product development and production processes, and operations at Storm Bay were expanded.
- Net debt increased to $81.3 million, however gearing continues to remain very manageable at 26.1%.

| | | FY2018 | FY2017 | FY2016 |
|---|---|---|---|---|
| Tonnage | t | **22,968** | 18,448 | 20,463 |
| Revenue[1] | $M | **317.9** | 259.5 | 233.7 |
| Revenue per HOG kg | $/kg | **13.84** | 14.07 | 11.42 |
| EBITDA[2] | $M | **58.9** | 82.0 | 24.9 |
| EBITDA per HOG kg | $/kg | **2.56** | 4.44 | 1.22 |
| EBITDA margin | % | **18.5%** | 31.6% | 10.7% |
| EBIT | $M | **34.2** | 60.1 | 7.3 |
| NPAT | $M | **26.4** | 42.2 | 3.4 |
| Fair value adjustment | $M | **(12.9)** | 19.2 | (1.5) |
| Related income tax (expense)/refund[3] | $M | **3.9** | (5.8) | 0.5 |
| Biological assets | $M | **169.4** | 188.0 | 147.2 |
| Earnings per share | c | **30.21** | 48.27 | 3.92 |
| Dividend per share | c | **10.00** | 5.00 | – |
| Net debt[4] | $M | **81.3** | 43.0 | 62.1 |
| Total gearing ratio[5] | % | **26.1%** | 14.7% | 24.8% |
| Return on assets[6] | % | **6.7%** | 12.2% | 1.8% |

## Operating Earnings and Cash Flow

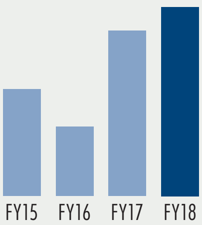
Revenue[1]

$317.9m



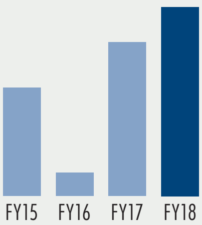

Operating EBITDA[7]

$71.8m



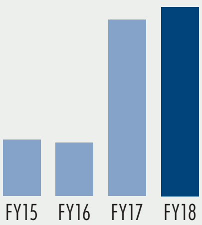

Operating NPAT[8]

$35.4m




Operating Cash Flow

$57.9m




Tonnage

22,968t

(FY2017: 18,448t)

Sales Revenue

$317.9m

(FY2017: $259.5m)

Sales Revenue by Channel:

**Wholesale**

58% (FY2017: 72%)

**Retail:** Domestic

24% (FY2017: 22%)

**Retail:** International

4% (FY2017: 0%)

**Export**

14% (FY2017: 6%)

Employees

600

(FY2017: 500)

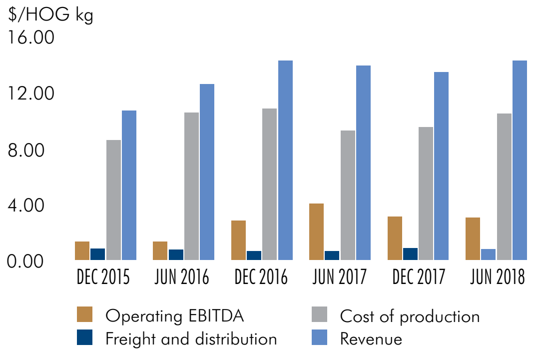
1 Revenue from the sale of goods.
2 EBITDA is a non-IFRS financial measure which is used to measure business performance, using net depreciation and amortisation recognised in the income statement.
3 Related income tax at current tax rate.
4 Net Debt is total debt net of cash and cash equivalents.
5 Total Gearing Ratio is measured as debt (net of cash)/net assets.
6 Return on Assets is measured as statutory EBIT/total assets.
7 Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets.
8 Operating NPAT excludes the impact of the Fair Value Adjustment of Biological Assets and related tax impact.

# Key Financials

## Operational Performance

| Six months ended | | 30 Jun 2018 | 31 Dec 2017 | 30 Jun 2017 | 31 Dec 2016 |
|---|---|---|---|---|---|
| **Harvest volume** HOG | t | 10,275 | 12,693 | 9,071 | 9,377 |
| **Revenue from operations** | $M | 147.4 | 170.5 | 126.0 | 133.5 |
| Revenue $/HOG kg | $/kg | 14.35 | 13.43 | 13.89 | 14.24 |
| **Cost of production** | $M | (107.1) | (120.6) | (83.7) | (101.3) |
| Cost of production $/HOG kg | $/kg | (10.42) | (9.50) | (9.23) | (10.80) |
| **Freight and distribution** | $M | (7.7) | (10.7) | (5.8) | (5.9) |
| Freight and distribution $/HOG kg | $/kg | (0.75) | (0.84) | (0.64) | (0.63) |
| **Operating EBITDA*** | $M | 32.6 | 39.2 | 36.5 | 26.4 |
| Operating EBITDA $/HOG kg | $/kg | 3.17 | 3.09 | 4.02 | 2.82 |
| Margin | % | 22.1% | 23.0% | 29.0% | 19.8% |
| **Fair value adjustment** | $M | (25.2) | 12.3 | (12.4) | 31.6 |

### Operational Performance



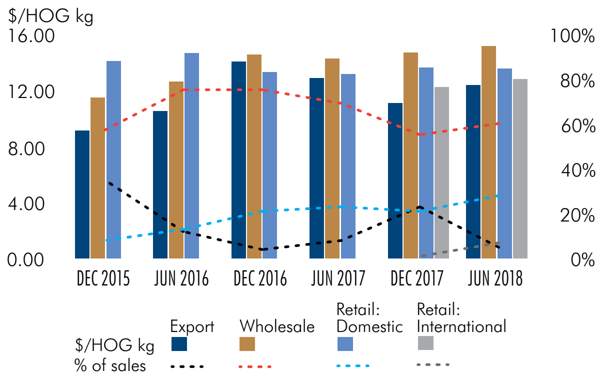

- Salmon prices continued to increase through FY2018 in response to deteriorating supply in Australia. Globally, growth in demand continues to outstrip supply supporting the view that the current pricing environment is more reflective of a new norm for the next 2-3 years
- Challenging growing conditions in Tasmania had a severe impact on biomass levels, despite the year beginning with record production volumes. Expectations of harvest volumes were cut to just under 23,000 tonnes by year end.
- Average harvest weights reduced during the year, and the cost of production per kg was also affected, increasing by 8% in the second half.
- The impact of AGD (amoebic gill disease) together with higher freight costs contributed to tighter operating margins which fell from 29.0% in the second half of FY2017 to 22.1% (on pcp).

* Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets.

## Sales Channel

| Six months ended | | 30 Jun 2018 | 31 Dec 2017 | 30 Jun 2017 | 31 Dec 2016 |
|---|---|---|---|---|---|
| Wholesale HOG kg | t | 5,820 | 6,372 | 6,053 | 6,898 |
| Retail Domestic HOG kg | t | 3,054 | 2,611 | 2,204 | 2,104 |
| Retail International HOG kg | t | 849 | 191 | – | – |
| Export HOG kg | t | 553 | 3,518 | 814 | 375 |
| Total HOG kg | t | 10,275 | 12,693 | 9,071 | 9,377 |
| Wholesale % of revenue | % | 60% | 55% | 69% | 75% |
| Retail Domestic % of revenue | % | 28% | 21% | 23% | 21% |
| Retail International % of revenue | % | 7% | 1% | – | – |
| Export % of revenue | % | 5% | 23% | 8% | 4% |
| Wholesale $/HOG kg | $/kg | 15.17 | 14.69 | 14.28 | 14.54 |
| Retail Domestic $/HOG kg | $/kg | 13.57 | 13.62 | 13.17 | 13.30 |
| Retail International $/HOG kg | $/kg | 12.82 | 12.23 | – | – |
| Export $/HOG kg | $/kg | 12.38 | 11.08 | 12.88 | 14.02 |

### Distribution Channels by Price and Contribution to Sales

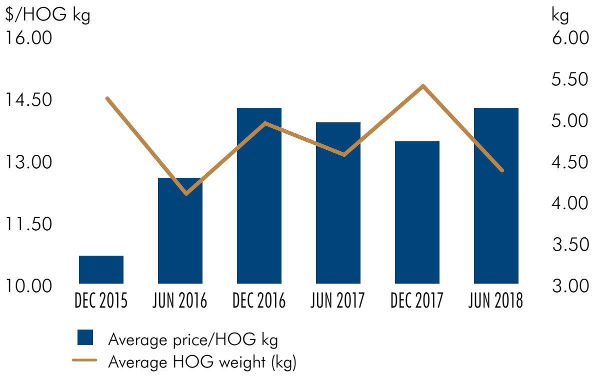



- Continued strong demand from the domestic retail channel resulted in volumes increasing by 31% and the proportion of sales into this segment increasing to 24%.
- The wholesale market continues to be Huon's dominant segment by volume and sales (58%) with prices increasing in the second half as supply was increasingly constrained by pressures on the biomass.
- Sales into the international retail markets totalled $13.2 million or 4% of revenue.
- Supply constraints saw Huon decrease its export volumes from 3,518 tonnes in the first half to 553 tonnes in the second half. Uncontracted export sales over the year accounted for 14% of revenue.

## Biological Assets

| Six months ended | | 30 Jun 2018 | 31 Dec 2017 | 30 Jun 2017 | 31 Dec 2016 |
|---|---|---|---|---|---|
| Biological assets at fair value | $M | 169.4 | 195.3 | 188.0 | 190.3 |
| Fair value adjustment (FVA) | $M | 35.7 | 60.9 | 48.5 | 60.9 |
| Biological assets (excluding FVA) | $M | 133.7 | 134.4 | 139.5 | 129.4 |
| Total weight of live finfish at sea | t | 12,960 | 17,475 | 16,663 | 17,078 |
| Biological asset value/kg (live) | $/kg | 13.07 | 11.18 | 11.28 | 11.14 |
| Fair value adjustment/kg (live) | $/kg | 2.75 | 3.48 | 2.91 | 3.57 |
| Biological assets/kg (live) (excluding FVA) | $/kg | 10.32 | 7.69 | 8.37 | 7.58 |
| Number of fish (harvest) | 000's | 2,404 | 2,398 | 2,037 | 1,936 |
| Sales volume (HOG kg) | t | 10,275 | 12,693 | 9,071 | 9,377 |
| Average HOG weight | kg | 4.27 | 5.29 | 4.45 | 4.84 |
| Average price/HOG kg (net sales) | $/kg | 14.35 | 13.43 | 13.89 | 14.24 |
| Net sales | $M | 147.4 | 170.5 | 126.0 | 133.5 |

### Fish weight and price

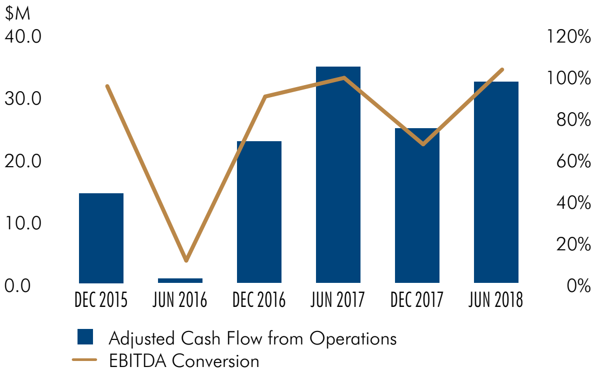



- The $12.9 million decline in the Fair Value Adjustment for FY2018 reflects the significant reduction in the biomass by 30 June 2018 compared to June 2017.
- The fair value of biological assets fell by 10% (over pcp) to $169.4 million while biomass at sea dropped 22% (over pcp). This reflects an increase in the assessed market price of fish at reporting date, bringing the biological assets value per kg to $13.07.
- Average harvest weight rose strongly in the first half to a record 5.29kg. The rapid fall in harvest weight during the second half to 4.27kg, while seasonal, also reflects the poor growing conditions as fish struggled to thrive during the abnormally warm summer.
- Biological assets per kg (excluding FVA) rose 23% (over pcp) to $10.32, a reflection of the rise in per kg production costs during the second half as bathing and net cleaning schedules ramped up in response to the rising incidence of AGD.

## Cash Generation

| Six months ended | | 30 Jun 2018 | 31 Dec 2017 | 30 Jun 2017 | 31 Dec 2016 |
|---|---|---|---|---|---|
| Operating EBITDA* | $M | 32.6 | 39.2 | 36.5 | 26.4 |
| Cash flow from operations | $M | 34.8 | 23.2 | 33.1 | 20.9 |
| Add – net interest paid | $M | 1.7 | 1.6 | 1.6 | 1.8 |
| – tax paid/(refunded) | $M | (4.2) | – | – | – |
| Adjusted cash flow from operations | $M | 32.3 | 24.8 | 34.7 | 22.7 |
| EBITDA conversion | % | 99% | 63% | 95% | 86% |
| Capex | $M | 44.5 | 43.2 | 22.3 | 12.7 |
| Cash at end of period | $M | 2.8 | 7.4 | 23.0 | 21.0 |

### Operational Cash Flow




- The increase in operating profit together with close management of working capital resulted in operating cash flow increasing from $54.0 million (in pcp) to $57.9 million.
- EBITDA conversion averaged 79% across the year, increasing in the second half as costs or production eased
- Huon spent $87.7 million in capex, which included funding the continued expansion of marine farms in Storm Bay and construction of the new Whale Point Salmon Nursery.
- Net debt almost doubled to $81.3 million, increasing gearing to 26.1%, a level which sits at the lower end of Huon's planning range.

* Operating EBITDA excludes the impact of the Fair Value Adjustment of Biological Assets.

# Growing Salmon

**Huon is fortunate to farm in Tasmania's unique environment, allowing the Company to raise salmon in locations in which they thrive. From the time Huon salmon start their life in hatcheries up until they are harvested, their environment plays a vital role in their health, growth and quality. Huon's fish are grown in three marine regions: Hideaway Bay (Huon River and D'Entrecasteaux Channel), offshore in Storm Bay and Macquarie Harbour.**


## Huon River and D'Entrecasteaux Channel

Huon Aquaculture began in 1986 at Hideaway Bay, on the Huon River with one pen of trout and one employee. Today there are six farmed leases, including high-energy sites in the D'Entrecasteaux Channel.

Hideaway Bay on the Huon River operates as the shore base for Huon's operations in the State's south. This sheltered bay, with its calm waters, is where Huon manages its harvest as well as undertaking Australia's experimental and pre-commercial use fish feed trials.

## Storm Bay

Storm Bay is located east of Bruny Island and south of Hobart. Huon began farming here in 2014 as part of its long-term growth strategy to shift salmon farming into high-energy offshore sites. Over the past 4 years Huon has invested $200m into its business, preparing for the reality that future expansion in production will be in deep water, several kilometres offshore. These are conditions that closely mimic salmon's natural habitat, ensuring a sustainable, growing business for salmon farming in Tasmania. This is the way of the future.

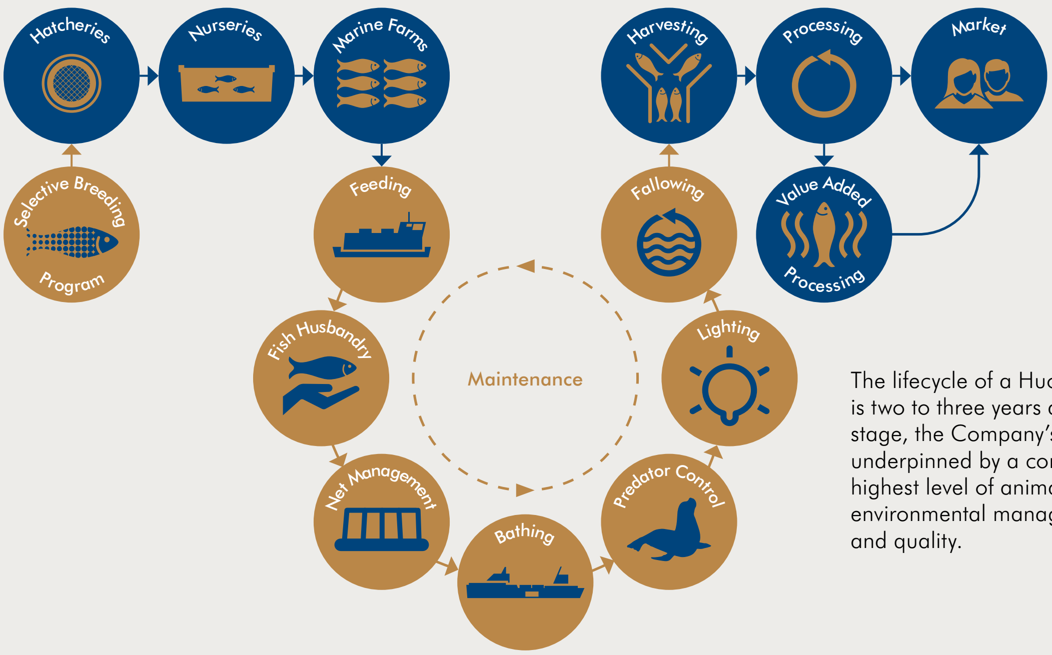
For more about Storm Bay's un-tapped capacity, see page 18.

## Macquarie Harbour

Huon owns two of the 10 allocated lease sites for fish farming in Macquarie Harbour which is located on the mid-west coast of Tasmania, just below Strahan. The Gordon and Franklin river systems deliver large volumes of freshwater into Macquarie Harbour providing a unique mix of fresh and saltwater, ideal conditions for growing Atlantic salmon and Ocean trout. Both have been farmed here for around 30 years.

Less than 10% of Huon's production comes from Macquarie Harbour with stocking densities kept low in order to manage sustainable farming in this unique water system.

## As a 'vertically integrated' salmon producer, Huon's operations span hatcheries, marine farming, maintenance, harvesting, processing, value adding, marketing, sales, and distribution.




The lifecycle of a Huon salmon is two to three years and at each stage, the Company's operations are underpinned by a commitment to the highest level of animal husbandry, environmental management and quality.

### Hatcheries

The hatchery allows the natural lifecycle of salmon to be replicated, as well as allowing growth to be naturally synchronised in a way that enables supply of fresh, healthy fish all year round. Huon's state-of-the-art Forest Home Hatchery is a second generation recirculation hatchery that delivers outstanding smolt quality and larger smolt sizes with a reduced environmental footprint.

### Nurseries

Huon is building Australia's first onshore Salmon Nursery at Whale Point in Port Huon, the Company's river adjacent site. This facility will see smolt grown on land to much larger sizes before being transferred to sea. The aim is to reduce the time salmon spend at sea from 14 to less than 12 months. This has several benefits including better management of existing leases, reduced environmental impact, and minimisation of the risk of predation. Huon expects the new Salmon Nursery to be operational by December 2018.

### Marine Farms

FY2017 was the first full year farming with Fortress Pens at all marine sites. Building on their success, Huon continues to develop its offshore farming capabilities, particularly in Storm Bay, which will be supported by a new second generation well-boat, the Ronja Storm, which is currently being constructed with delivery expected in 2019.

### Feeding

Huon continues to make advances in feed systems that result in improved fish performance. The upgrade of its pellet recognition software, increased automation of feed delivery systems, and implementation of remote, shore-based feeding capabilities, over the past 18 months has been the key to feeding efficiency.

### Harvesting

Harvesting is the last step in the farming of our salmon and is one of the most critical. There is a direct relationship between harvesting and the quality and freshness of the end-product. By focussing on low-stress, humane, night-harvesting, using RSPCA UK awarded equipment, Huon consumers experience fresher, higher quality salmon year-round.

### Processing

Huon's investment in additional processing equipment is delivering further quality and efficiency improvements at its state-of-the-art Paramatta Creek processing facility. Huon's processing capabilities support its increased presence in the retail market and specifically the chilled packaged seafood category.

# Growing Demand

**Huon's objective is to continue expanding production to meet local demand and also tap into the growing appetite for salmon worldwide. Forecasts suggest by 2025 an additional 11.4 million tonnes of seafood will be required to satisfy the projected global market demand.**

## Demand for protein

The global population is forecast to include an additional 1.0 billion people by 2030 and by 2050 the population will have increased from 7.6 billion today to an estimated 9.4 billion.

Feeding this growing population is one of the great challenges of the 21st century. How do we ensure that enough protein is produced when there is limited scope to expand agriculture's use of more land and water resources and the world's fisheries are already under strain?

Protein is an essential component of the human diet, as it helps the body repair cells and make new ones. About one-third of the protein eaten around the world comes from meat (18%), dairy (10%) and other animal products (9%). Plant based foods dominate protein supply (57%) with the majority coming from three grains—wheat, maize and rice. And, despite the fact that oceans cover 70% of the Earth's surface, only 6% of protein for human consumption comes from fish and other seafood.

The solution has to come from improvements in productivity and resource-use efficiency. For Huon and others in the salmon farming industry this means a dedication to the development of sustainable aquaculture. Since the 1990s the growth in demand for seafood has been met entirely from aquaculture as capture from wild fisheries has stagnated and is forecast to progressively decline over the next 30 years. In the near term, by 2025, it is estimated that the industry will need to produce an additional 11.4 million tonnes of seafood to satisfy projected market demand.

## Increased consumption

The increasing demand for food is not just about population growth. If consumption per capita of protein stayed at current levels, this factor on its own would increase demand by 35%. However the UN has estimated that actual demand will double driven by economic development and increased urbanization leading to major transitions in population-level dietary patterns in low and middle income countries.

Regular fish consumption is increasingly being promoted as part of a healthy diet. Fish meat has a high protein content compared to terrestrial animal meat and fish have a lower feed conversion ratio (FCR) than land animals making them a more efficient source of protein. Fish and shellfish consumption has several reported health benefits including decreased risk of heart diseases, inflammation and arthritis.

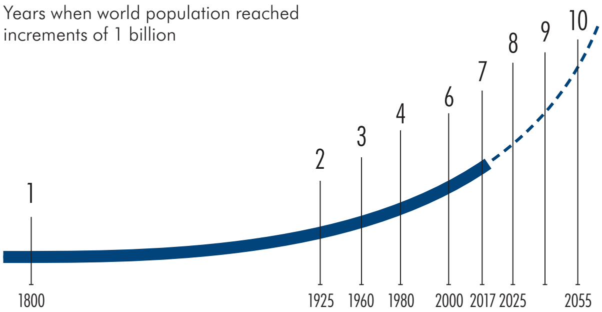
World per capita food fish consumption is projected to reach 21.6kg in live weight equivalent by 2025, (20.3kg average in 2014–2016). Per capita fish consumption is forecast to rise in all continents, except in Africa, where population growth will outstrip its increasing food fish supply.

## Demand/supply

While the increasing demand for seafood protein and the expectation that aquaculture will have to meet all of that growth is not in question, how the increase in supply will be achieved is less clear. From 2004 to 2013 the industry experienced a compound annual growth rate (CAGR) of 6% due to producers expanding operations. At present, global demand is growing at 7%, with supply growth for 2018–2020 projected to be 3–4%pa due to problems with production in Norway and Chile, the two major producers of salmon, and new lease space becoming increasingly harder to find.

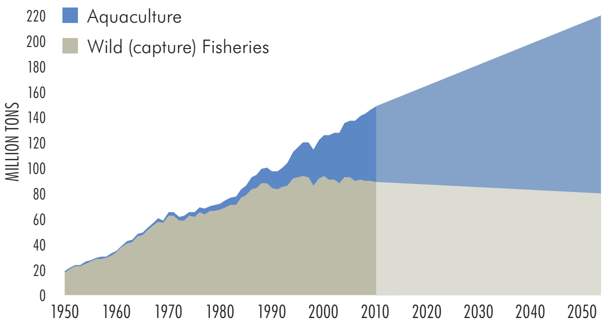
**Projected global population growth 9.4 billion by 2050**

Years when world population reached increments of 1 billion




SOURCE: UNITED NATIONS, DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS

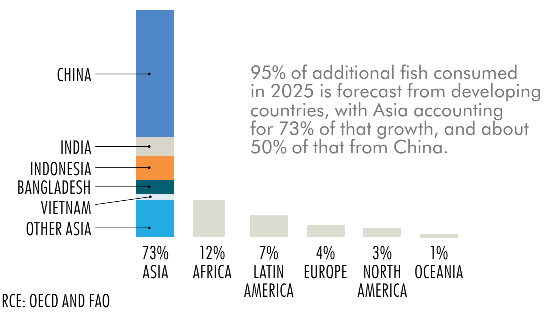
**Aquaculture is expanding to meet world fish demand**




SOURCE: FAO



Projected additional fish consumption in 2025




SOURCE: OECD AND FAO

Australia contributes approximately 2% of the global harvest of Atlantic Salmon. Growing conditions for marine pen farming (floating pens in coastal waters) in Australia are only commercially suitable in Tasmania. While demand in Australia has been growing at around 10%pa in recent years, growth in salmon production has been tracking at less than 9%pa and is expected to fall short of demand growth over the next two years.

For Huon, the objective is to continue expanding production to meet not only local demand but also to satisfy premium niche markets for salmon worldwide.

## Optimised channel mix

Huon has been progressively diversifying its channel mix over the past three years, reducing the dominant weighting of salmon sold through the wholesale market and increasing its exposure to contracted sales into the retail market. Initially this was achieved by boosting sales into Australia's supermarkets from 10% of total revenue in FY2016 to 22% in FY2017.

Over the past financial year Huon secured a number of supply agreements throughout the Asian market, removing much of the uncertainty and volatility that has previously been associated with sales into offshore markets. In FY2018, international retail sales accounted for 4% of revenue, bringing total sales into both the domestic and international retail market to 28% of revenue.

This year, and into the future, Huon aims to reduce its exposure to the volatility inherent in spot markets for international salmon, ensuring it receives an appropriate premium for the quality of its product sold in offshore markets.

## Access to Asian markets

Of the estimated 177 million tonnes of fish consumed worldwide in 2025, Asia is projected to account for 73%.

Huon has spent many years laying the foundations for the development of a sustainable, long-term client base in Asia by nurturing relationships with retailers and distributors who can open doors to opportunities that would not otherwise be available. There are niche markets in Asia that can deliver strong returns to the business and Huon's success this year securing supply of salmon to Taiwan and China, proved that returns in this market can be equivalent to those in the domestic market.

## Brand value

This year Huon repositioned its brand in order to better articulate its points of difference. 'Not all salmon is Huon' is focused on telling stories about what makes Huon salmon and this business different from every other company and fish on the market. Targeted campaigns in key markets have been driving consumer brand awareness across Australia as well as community support for Huon in Tasmania.

Huon will continue to invest in its business to business and consumer brands over the next three to five years at the same time as it expands production volumes. This will ensure that Huon Salmon receives a premium price in both the domestic and international market place.



Assistant Fish Health Manager Jasmine Knowles, (top) The Ronja Huon pulled up alongside a fortress pen, (above) Huon's central feed control room.

# Growing Operations

## Investing back in the business

In the three years following listing, Huon invested $200 million into the business upgrading its infrastructure and processing capabilities via the Controlled Growth Strategy. The objective of this strategy was to achieve a step change in the way the business operated, radically reshaping each part of the production chain in order to transform its capacity to grow and process larger volumes of fish.

Growth and continuous improvement are essential elements to Huon's strategic vision, and the Company has a strong track record of delivering large-scale growth projects requiring significant capital expenditure. Huon is constantly improving its operations through major R&D projects and fostering a culture of innovation. The Company invests strategically for the long-term and has developed a number of initiatives and processes that are now being used across the industry, both domestically and internationally. Examples of this include its patented Fortress Pen design, automated feeding technology and redesign of well-boats to enable fresh water bathing.

This commitment to operate at the cutting edge of technology and continually innovate its farming methods, continued in FY2018. Huon invested $88 million in a capital investment program that will underpin its next stage of growth in production. This includes construction of the $45 million Whale Point Salmon Nursery and the continuing expansion of farming at Storm Bay. Further expenditure of around $70 million is planned for FY2019 that will see the completion of the Whale Point Salmon Nursery and further expansion of farming in its high-energy sites. Capital expenditure into the future will be managed in-line with market growth.

## Bigger feed barges

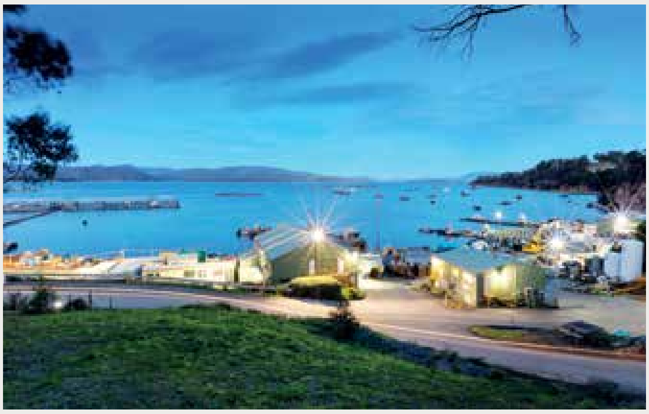
Huon-designed 320 tonne feed barges, which ensure fish are fed consistently and result in larger fish size at harvest, have been operating across the company's marine farms since late 2015.

With more capacity at sea and larger production come increased feed demands and Huon is in the process of building its next generation of 600 tonne feed barges to help carry this load. These will be fully automated and unmanned, meaning less feed delivery trips, increased feed security and no missed feed days. As Huon's new marine farms will all be located in high-energy sites offshore, these new barges have been designed to ensure that the fish can be fed in any weather, allowing them to fully realise their growth potential.

## Automated feeding

The move to unmanned feed barges enables automated feeding of Huon fish from a central control room in Hobart. Six feeders over two shifts are able to feed Huon's entire production volume. This is possible due to bespoke Huon developed software that runs over the top of the live video feeds from the pens.

Using Huon's technology, the feed is spread throughout the pen utilising an automated spreading system monitored by video sensors. Huon worked alongside Australian companies to develop the sensor and video software that monitors the appetite of the fish and stops feeding when the fish stop eating. Over the past year this software has incorporated machine learning or artificial intelligence into the process, creating a neural network that allows the program to learn what is and isn't a pellet falling through the water column. Over time its accuracy improves with the result that food wastage is minimised, lowering the impact on the seabed and ultimately getting optimal growth from the fish.




The Ronja Huon, (top right) Hideaway Bay shore base operations, (right) Whale Point Salmon Nursery under construction.

## Whale Point Salmon Nursery

During FY2018 Huon commenced construction of a new land based salmon nursery at Whale Point. This 1400 tonne facility will receive and grow out smolt sourced from Huon's recirculation hatcheries. It will enable smolt to be put to sea when they are at a more advanced stage of growth delivering a number of significant benefits. First, the time that fish are at sea will be reduced from 14 months to under 12 months, reducing the risk of mortality and enabling larger fish to be grown in the same time frame as current production. Secondly it will increase total farming capacity without having to expand existing lease area.

The Whale Point Salmon Nursery will come on stream at the end of calendar 2018, representing the biggest step change in core product development and process for the industry since the implementation of Huon's offshore farming.

## Bigger well-boat

The increase in volume and capacity that will come through Whale Point and at sea, requires a well-boat with significantly greater capacity than the existing Ronja Huon to bath and transport the growing number of fish. The Ronja Storm is currently being built and is the next generation of well-boat. It follows the commissioning of the 75 meter Ronja Huon in late 2014 which pioneered well-boat fresh water bathing in Australia.

The custom designed Ronja Storm has four times the capacity of the Ronja Huon and will allow a fully stocked 240m fortress pen to be bathed in one go. It will also have the ability to produce its own supply of fresh water through a reverse osmosis plant on board. This will enable it to stay at sea for much longer periods rather than having to return to fill up with fresh water.

The Ronja Storm will be delivered in late 2019 and will be the largest well-boat in the world, giving Huon significant additional capacity to continue its expansion into the high-energy sites offshore in Storm Bay and beyond.

## Fortress Pens

Huon commenced farming in high-energy offshore sites in 2014 with five pens in its Storm Bay lease. This move would not have been possible without Huon's development of the Fortress Pen, a world first in that its design specifications required it to operate in one of the roughest farmable waters in the world.

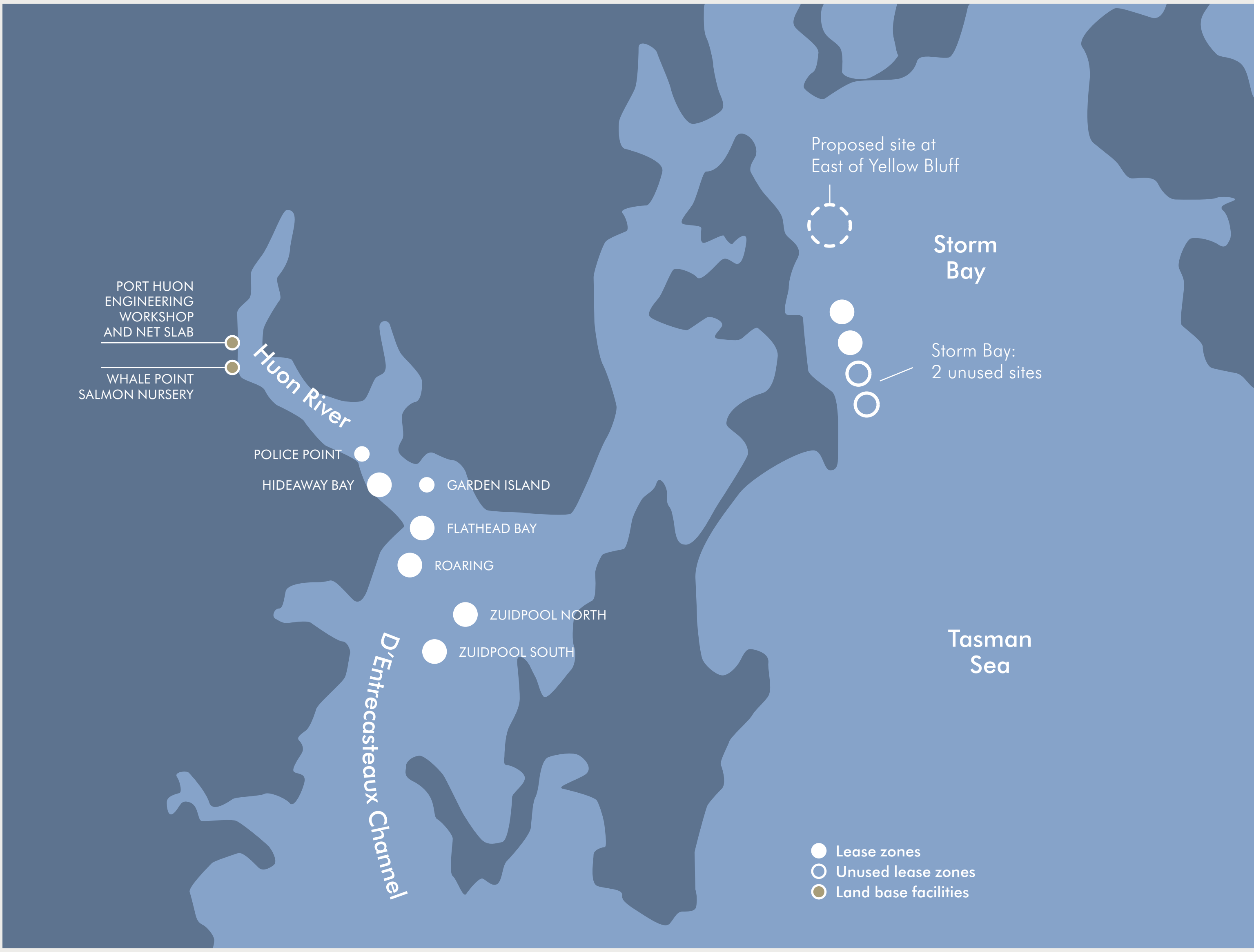
An additional benefit of the pens is that the double net system, made from a strong lightweight material similar to that used in bullet-proof vests, has effectively eliminated predator risk from seals. The Fortress Pens were progressively introduced across Huon's entire marine operation through 2015 and 2016, and further refinements and improvements have continued as more is learned about the different and evolving environmental conditions in which Huon is now operating.

In FY2018 Huon installed another eight Fortress Pens at its Storm Bay lease site, bringing total production capacity from Storm Bay up to over 6,000 tonnes.

## Huon aquaculture systems

Over the past 30 years Huon has remained committed to investing in product development, concept testing and trialling innovations in farming technology that has put it at the forefront of best practice in salmon farming globally.

The company now has a significant amount of IP relating to salmon farming practices and aquaculture more generally. The application of these systems, whether as IP, hardware or software will create new revenue opportunities for the Company to unlock in coming years.



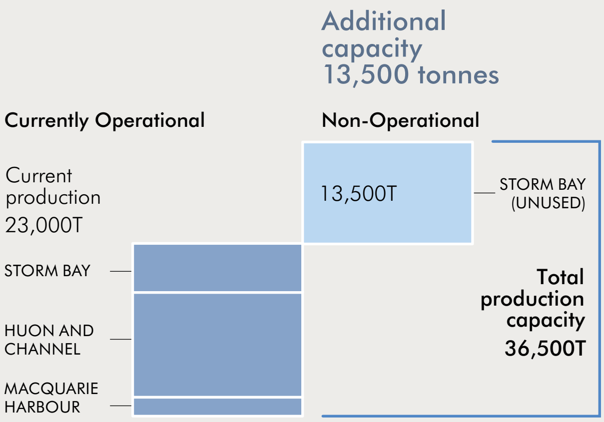

# Growing Capacity

Huon currently operates across three main regions with a total operational lease area of 750ha. Since 2014 these lease configurations have been arranged to farm in high-energy sites and to move to offshore farming. Over the past 20 years Huon has continually expanded the business and operations. In that time production has increased from 1,200 tonnes to 23,000 tonnes, much of it as result of the enabling technologies that Huon has conceived, designed, built and, in rare cases, acquired and modified.

To increase production and at the same time farm sustainably, requires access to more high-energy marine sites located offshore.

## Capacity to increase production

Huon has the capacity to double its lease area under operation in Storm Bay. With the focus for expansion solely on high-energy sites, the four Storm Bay leases together with the proposed site at East of Yellow Bluff provide Huon with the capacity to produce an additional 13,500 tonnes on top of its existing 23,000 tonnes.




| Operational leases | Tonnes | Lease Area |
|---|---|---|
| Huon River & D'Entrecasteaux Channel | 14,000 | 420ha |
| Storm Bay | 6,500 | 100ha |
| Macquarie Harbour | 2,500 | 230ha |
| | 23,000 | 750ha |

Fortress Pens at Storm Bay

(From left) Sunrise in the Huon, The Ronja Huon, Feed makes its way out to pens via our in-house designed backbone system.

## Weathering storms

In salmon farming, those companies that had the foresight to identify and gain access to new marine sites, have a unique competitive advantage.

In Australia there are only a limited number of sites available that have the right environmental conditions, temperature, depth, oxygen and seabed regeneration. This particularly applies to potential new high-energy marine sites located offshore.

Huon spent several years planning and researching conditions in Storm Bay before commencing operations there in 2014. It designed pens and the supporting infrastructure to withstand a 1-in-50-year storm and in May 2018 it was put to the test. While there was damage across its leases, all core equipment and structures, including the Fortress Pens, remained in place. Lessons learned from that event have already been applied through modifications to net designs and the elimination of the older style feeding bins from within pens at high-energy offshore sites.

## Benefits of deeper offshore sites

**Fish health and welfare:**

Deeper, high-energy sites mean that pens are located in areas with stronger currents and greater water movement. The result is more oxygen, which is much better for the fish and the environment.

**Reduced environmental impact:**

More environmentally appropriate locations.

**Reduced visual and noise impact on the community:**

Offshore sites are less visible from the land and the sound of boats is less, as boat traffic has both decreased and is further away from shore.

**Improved biosecurity:**

By moving individual leases further away from one another and from other sites, as well as seperating year classes, we are future-proofing our farms and improving biosecurity.

# Huon Board of Directors

## Neil Kearney B.Ec

Chairman

Director since August 2014

Neil has significant leadership experience in major Australian and international food companies with prior senior roles at Goodman Fielder Limited and National Foods Limited. He is currently a Non-executive director of Brainwave Australia, a charity, Non-executive Chairman of Felton Grimwade Bosisto's Pty Ltd and a Non-executive director of Simonds Group Limited.

Neil's most recent executive role was Chief Strategy Officer of ASX-listed company Goodman Fielder Limited from 2011–2014 and before that he was Chief Executive Officer and Managing Director of Warrnambool Cheese & Butter Factory Co. Holdings Limited from 2007–2009.

Neil has previously been a Board member for Warrnambool Cheese & Butter Factory Co. Holdings Limited and Colorpak Limited as well as being a Director of National Foods Holdings Ltd 2005–2007 and Vitasoy Australia Products Pty Ltd 1999–2007.

**Special Responsibilities**

– Independent Non-executive Director
– Member of the Audit and Risk Management Committee
– Member of the Remuneration and Nomination Committee

## Peter Bender

Managing Director and
Chief Executive Director

Director since May 2005

Founder of Huon with over 30 years' experience in fish farming operations.

Peter is responsible for the leadership, operations and strategic direction of Huon and has always been committed to delivering high quality salmon that is raised responsibly. He sets business strategy and leads the executive team to deliver growth.

He is well recognised for farming innovation both in Australia and internationally and his extensive knowledge of aquaculture coupled with a strong continuous improvement ethic is the foundation on which Huon's success is built.

Peter is a Non-executive Director of Salmon Enterprises of Tasmania Pty Ltd.

## Frances Bender

Non-independent
Executive Director

Director since May 2005

Founder of Huon with over 30 years' experience in fish farming operations.

Frances has been instrumental in the design of the Huon brand and its marketing direction and continues to be responsible for these areas.

Frances is currently a Member of the New South Wales Primary Industry Ministerial Advisor Council.

Frances' former directorships and committees include Board member of Tasmanian Aquaculture and Fisheries Institute, member of the Huon Valley Economic Development Advisory Committee, member of Huon Valley Council Rural Health Advisory Committee, member of Tasmanian Food Industry Council and member of Tasmanian Regional Reference Group – South.

## Simon Lester CA, BCom, MAppFinInv

Independent
Non-executive Director

Director since August 2014

Simon had previously been an adviser to Huon and has extensive experience within the salmon industry.

He has 30 years' experience in corporate finance and corporate tax, having advised the Tasmanian Government and State owned business enterprises.

His former roles include Partner at Deloitte Touche Tohmatsu and PBS Partners as well as senior management roles at Price Waterhouse and KPMG and previously held the position of Board member of CatholicCare Tasmania.

Simon is currently the Chief Risk Officer of The Royal Automobile Club of Tasmania.

He is a member of the Financial Services Institute of Australasia, Institute of Chartered Accountants in Australia, the Tax Institute and the Australian Risk Policy Institute.

**Special Responsibilities**

- Chairman of the Remuneration and Nomination Committee
- Member of the Audit and Risk Management Committee

## Tony Dynon CPA

Independent
Non-executive Director

Director, since August 2016

Tony has extensive leadership and finance experience gained largely in food, beverage and stockfeed businesses with senior roles in international and ASX-listed companies.

The majority of Tony's career was with international food company H J Heinz, covering a 20 year period, including roles for Heinz Australia as Joint Managing director from 1994 to 1997 and Chief Financial Officer from 1988 to 1994. He was also Managing Director of Farm Pride Foods Ltd and Executive Chairman of Palm Springs Ltd, both ASX listed companies.

More recently Tony has had leadership roles in privately owned stockfeed businesses based in Australia, New Zealand and the UK. Tony was also a non-executive director for Colorpak Ltd from 2004 to 2010.

Tony is a member of CPA Australia.

**Special Responsibilities**

- Chairman of the Audit and Risk Management Committee
- Member of the Remuneration and Nomination Committee

# Directors' Report

## The Directors of Huon present the annual financial report of the consolidated entity consisting of the Company and the entities it controlled (Consolidated Group) for the financial year ended 30 June 2018.

### Directors

The Directors of the Company during the whole of the financial year and up to the date of this report are as follows:

- **Neil Kearney**, Chairman
- **Peter Bender**, Managing Director and Chief Executive Officer
- **Frances Bender**
- **Simon Lester**
- **Tony Dynon**

The qualification, experiences and special responsibilities of the Directors are provided on pages 20 to 21.

### Directors' Interests

Particulars of Directors' interests as at 30 June 2018 were:

| Shareholdings | Ordinary Shares | Performance Rights |
|---|---|---|
| Peter Bender(i) | 57,691,523 | 277,662 |
| Frances Bender(i) | 57,691,523 | – |
| Neil Kearney | 6,316 | – |
| Simon Lester | 14,516 | – |
| Tony Dynon | 6,080 | – |

(i) Includes direct and indirect interests.

### Company Secretary

**Thomas Haselgrove** B.Ec. CA

Thomas Haselgrove is the Chief Financial Officer and Company Secretary with 26 years' experience in audit, statutory accounting and commerce across a number of organisations in the food, beverage and FMCG sectors including Chiquita Brands, Southcorp and Ernst & Young. Thomas was appointed Company Secretary in 2006.

### Principal Activities

During the year the principal activities of the Consolidated Group were hatching, farming, processing, sales and marketing of Atlantic salmon and ocean trout.

There were no significant changes in the nature of the activities of the Consolidated Group during the year.

### Dividends

Dividends paid to members during the financial year were as follows:

| | $'000 |
|---|---|
| Final ordinary dividend for the year ended 30 June 2017 of 5.0 cents (2016 – nil) per ordinary share paid on 12 October 2017 | 4,367 |
| Interim ordinary dividend for the year ended 30 June 2018 of 5.0 cents (2017 – nil) per ordinary share paid on 12 April 2018 | 4,367 |

On 15 August 2018 the Directors recommended the payment of a final ordinary dividend of $4.4m (5.0 cents per ordinary share) to be paid on 11 October 2018 out of retained earnings at 30 June 2018. The dividend will be 50% franked.

### Review of Operations

Information on the operations and financial position of the Consolidated Group, and the Business Strategy and outlook are set out in the Chairman's Message on pages 2 to 3 and the Managing Director's Review on pages 4 to 7 of this Annual Report.

### Changes in State of Affairs

There have been no significant changes in the state of affairs of the Consolidated Group during the financial year.

### Matters Subsequent to the end of the Financial Year

On 15 August 2018, the Directors of the Company recommended the payment of a final ordinary dividend (refer Dividends above). The dividend has not been provided for in the 30 June 2018 financial statements.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

## Future Developments

Likely developments for the Consolidated Group are addressed through the Company's Business Strategy. Further information on these developments are included in the Chairman's Message and the Managing Director's Review.

## Directors' and Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee Member).

| | Board of Directors meetings | | Audit and Risk Management Committee meetings | | Remuneration and Nominations Committee meetings | |
|---|---|---|---|---|---|---|
| **Director** | **Number Held** | **Number Attended** | **Number Held** | **Number Attended** | **Number Held** | **Number Attended** |
| Neil Kearney | 10 | 10 | 4 | 4 | 3 | 3 |
| Peter Bender | 10 | 10 | * | * | * | * |
| Frances Bender | 10 | 9 | * | * | * | * |
| Simon Lester | 10 | 10 | 4 | 4 | 3 | 3 |
| Tony Dynon | 10 | 10 | 4 | 4 | 3 | 3 |

* Not a member of the Committee

## Share Options and Performance Rights

During or since the end of the financial year, 186,280 performance rights were granted to Directors and Key Management Personnel. Refer to the remuneration report for further details of the performance rights granted and outstanding.

## Environmental Regulation

The Consolidated Group is subject to significant regulation at both State and Commonwealth levels in respect of its hatchery operations, marine operations, land and use tenure and environmental requirements. This includes specific environmental permits, licences and statutory authorisations, trade and export and workplace health and safety.

The Consolidated Group has well established management frameworks for routinely and regularly monitoring compliance with the relevant regulatory requirements and to monitor and manage environmental compliance in relation to new regulations as they come into effect. Compliance within the regulatory framework is routinely reported to the Board.

The Consolidated Group employs a cross-functional team to manage compliance within the regulatory framework and guide a strategy of continuous improvement in environmental management and sustainability.

Further details regarding the Consolidated Group's sustainability and environmental management credentials and policies are outlined in the Chairman's Message and Managing Director's Review. The Directors are not aware of any significant environmental incidents arising from the operations of the Consolidated Group during the financial year and believe that all regulations have been materially met during the period covered by the Annual Report.

# Remuneration Report

## Introduction

This Remuneration Report for the financial year ended 30 June 2018 outlines the Company's remuneration structure in accordance with the requirements of the Corporations Act 2001 (Cth) (the Act), and the Corporations Regulations 2001 (Cth). This report provides remuneration information in relation to the Company's Key Management Personnel (KMP) including for the Non-executive Directors (NEDs), Executive Directors (EDs), and Executive Management Group (EMG). KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. This Remuneration Report has been audited as required by section 308(3C) of the Act.

## Key Management Personnel (KMP)

The table below outlines the KMP for the financial year ended 30 June 2018 unless otherwise indicated.

Following the resignation of a senior manager at the end of FY2017, changes were made to the executive team to support decision making and achieve the Company's strategic objectives. As a result David Morehead, Charles Hughes, and David Mitchell became members of the EMG from July 2017. Amounts disclosed in this Remuneration Report reflects their service as members of the EMG from July 2017 unless otherwise stated.

### Executive Directors

- Peter Bender (Managing Director and Chief Executive Officer)
- Frances Bender (Executive Director)

### Non-executive Directors

- Neil Kearney (Chairman and Non-executive Director)
- Simon Lester (Non-executive Director)
- Tony Dynon (Non-executive Director)

### Executive Management Group

- Philip Wiese (Deputy Chief Executive Officer)
- Thomas Haselgrove (Chief Financial Officer and Company Secretary)
- David Morehead (General Manager Marine Operations)
- Charles Hughes (General Manager Commercial and Planning)
- David Mitchell (General Manager Freshwater Operations)

## Remuneration Governance

Huon's remuneration framework, policies and practices are designed to create value for shareholders by ensuring the Company attracts, rewards and retains employees responsibly and fairly, with a focus on business outcomes, individual performance, the organisation's risk management framework, and applicable regulations. Remuneration Policy is reviewed annually. Further information on the Company's Remuneration Policy can be viewed on the Company website.

## Remuneration and Nomination Committee (RNC)

The Remuneration and Nomination Committee (RNC) comprises of three independent NEDs (including the Chairman). As at 30 June 2018 the RNC comprised Simon Lester (Chairman), Neil Kearney and Tony Dynon.

The RNC has the responsibility for delivering remuneration recommendations to the Board to ensure that the Company is adopting appropriate and coherent remuneration policies that will attract, motivate and retain qualified and experienced KMP of the highest calibre.

The Board reviews and, where appropriate, approves the remuneration arrangements of the KMP after considering the recommendations of the RNC (including awards made under the short term incentive (STI) plans and long term incentive (LTI) plans). The Board also sets the combined remuneration pool for NEDs which is subject to shareholder approval. The RNC approves the level of the Consolidated Group's STI plan pool, having regard to recommendations made by the CEO. The RNC meets throughout the year and the CEO and/or DCEO attends these meetings (by invitation only) when management input is required. The CEO is not present during discussions relating to his own remuneration.

The RNC reviews the performance of KMP and reviews the assessment processes to ensure alignment of assessments towards the execution of the Company's strategy. The RNC's Charter can be viewed on the Company website.

## Use Remuneration Consultants

From time to time the Board directly engage external advisers to provide input into the Company's remuneration policies and into the process of reviewing KMP remuneration arrangements. No advice was sought or provided by external advisers during the financial year ended 30 June 2018.

## Securities Trading Policy

A Securities Trading Policy is in place to ensure that employees understand their obligation in relation to dealing in Huon shares. Huon Directors and all employees must comply with the insider trading prohibitions of the Corporations Act 2001. The policy imposes share trading blackouts on Directors and Restricted Employees prior to financial results announcements and other times as required. In addition, Directors and Restricted Employees with potential access to inside information are required to seek approval before dealing in Huon shares. The policy also restricts employees from entering into transactions which limit their economic risks, including in relation to the long term incentive (LTI) plans. The Securities Trading Policy can be viewed on the Company website.

## KMP Remuneration Arrangements – Executive Directors and Executive Management Group

The following information relates to the remuneration arrangements for the Executive Directors and Executive Management Group KMP. The NEDs remuneration structure is a separate and distinct framework in accordance with best practice corporate governance and is detailed in a separate section of this Remuneration Report.

### Remuneration Principles and Strategy

Huon's Remuneration Strategy is designed to attract, motivate and retain qualified and experienced KMP and align the interests of KMP with Huon's shareholders. Huon's objective is to build long-term shareholder value by continuing to be a recognised leader in the aquaculture industry though sustained growth and continuous improvement as a Tasmanian producer of world class salmon. Huon sees the retention of KMP as crucial to achieving this objective.

Remuneration consists of Fixed Remuneration and performance based remuneration. Payments and awards of performance based remuneration under the STI Cash bonus plan and, in certain circumstances, under the LTI Performance Rights plan, are subject to Board discretion as well as being subject to performance targets being met.

In the event of serious misconduct or a material misstatement in the Company's financial statements the Remuneration Committee can cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in previous financial years.

### Components of Remuneration

In the financial year ended 30 June 2018, the KMP remuneration structure comprised of market competitive fixed and variable remuneration including STI and LTI plans as detailed in the following table:

| Component | Performance Measures | Weighting as % of TFR | Link to Performance |
|---|---|---|---|
| Fixed remuneration includes base salary, superannuation contributions, long service and annual leave and other benefits | Multiple sources of data used to determine annual changes in fixed remuneration including competitive market data and each individuals performance and contribution during the year | N/A | Consolidated Group performance as well as individual performance are considered during the annual remuneration review of fixed remuneration |
| STI Cash bonus | – Operating earnings (earnings excluding adjustments for biological assets) before interest, tax, depreciation and amortisation (50%)<br>– Cash flow from operations (30%)<br>– Lost time injury frequency rate (20%) | – DCEO Target = 40%<br>– EMG Target = 30% | To provide short term incentive for KMP to remain in the Company and to recognise and reward contribution to short-term Company outcomes |
| LTI Performance Rights | – Earnings (earnings excluding adjustments for biological assets) per share growth (50%)<br>– Return on assets (50%) | – MD/CEO Target = 100%<br>– DCEO Target = 40%<br>– EMG Target = 30% | The LTI plan provides a reward to KMP for their contribution to the achievement of forecasted objectives and long term shareholder value. The LTI plan also rewards KMP for their continued service with the Company and seeks to retain KMP in the long-term. |

## Remuneration Overview

Huon aims to attract, motivate and retain qualified and experienced KMP by aligning KMP interests with those of shareholders and by providing reward through market competitive fixed and variable remuneration. The proportion of fixed and variable remuneration is established for KMP by Board approval following recommendations from the RNC.

The following summarises the target remuneration mix of KMP for the financial year ended 30 June 2017 and 2018:

| | Fixed | Target STI | Target LTI | Total % |
|---|---|---|---|---|
| Chief Executive Officer | 50% | – | 50% | 100% |
| Executive Director | 100% | – | – | 100% |
| Deputy Chief Executive Officer | 56% | 22% | 22% | 100% |
| Executive Management Group | 62% | 19% | 19% | 100% |

The percentages in this table are based on a split of fixed remuneration and incentives for achieving STI and LTI plan targets as determined by the Board.

## Fixed Remuneration

Total Fixed Remuneration (TFR) includes base salary, superannuation contributions, long service and annual leave and other benefits (such as termination benefits).

Remuneration levels are reviewed annually to ensure KMP are offered market competitive fixed remuneration that reflects the responsibility, qualifications and experience required of the KMP.

There are a range of fringe benefits which KMP can incorporate into the total cost of their remuneration package. These fringe benefits may include, but are not limited to, motor vehicles and car parking. Whatever the cash component and fringe benefit value, the total employment cost of any KMP remuneration package is taken into account when determining fixed annual remuneration for KMP.

Details of 2017 and 2018 fixed remuneration levels are provided below:

| | Fixed remuneration | |
|---|---|---|
| KMP | 2018 $ | 2017 $ |
| Peter Bender | 551,923 | 609,017 |
| Frances Bender | 191,594 | 215,066 |
| Philip Wiese | 428,802 | 432,004 |
| Thomas Haselgrove | 317,814 | 312,713 |
| David Morehead (i) | 302,567 | – |
| Charles Hughes (i) | 283,024 | – |
| David Mitchell (i) | 267,747 | – |

(i) Not KMP in 2017, therefore no comparative information has been provided.

## Variable Remuneration – STI Plan

KMP except for the CEO and Executive Director are eligible to participate in Huon's STI plan. Huon's annual STI plan is designed to recognise the contribution and achievement of financial and operational targets as determined by the Board and CEO. The target annual STI that may be awarded to KMP is expressed as a percentage of their respective TFR.

**Key Features of STI Plan**

| | |
|---|---|
| **Who participates?** | KMP (Except for the CEO and Executive Director) |
| **How is STI plan delivered?** | Payment of cash incentive.<br>Payment will be made subject to Board discretion and subject to performance targets being met. |
| **What is the STI plan opportunity?** | An opportunity for KMP (except CEO and Executive Director) to earn an annual incentive payment calculated as a percentage of their annual fixed remuneration conditional on the achievement of financial and non-financial measures. Target STI maximum opportunity of 40% of fixed remuneration for the DCEO and maximum opportunity of 30% of fixed remuneration for the EMG. |
| **What are the performance conditions for FY2018?** | Actual STI plan payments awarded to each member of KMP depend on the extent to which specific targets set at the beginning of the financial year are met. The CEO and Executive Director do not participate in the STI Plan. The target consists of key performance indicators (KPIs) including financial objectives. For FY2018 the performance measures under the STI plan were as follows:<br>– Operating earnings (earnings excluding adjustment for biological assets) before interest, tax, depreciation and amortisation<br>– Cashflow from operations<br>– Lost time injury frequency rate |
| **Why the financial measures were chosen?** | The financial and operational measures were chosen as they represent the key drivers for the short term success of Huon's business and provide a framework for delivery of long term value to shareholders from Huon's strategy. |
| **How is performance assessed?** | The RNC considers the performance against financial and operational targets at the end of the financial year (with the financial targets verified by the auditors) and makes recommendations to the Board for the amount, if any, to be paid to the KMP. |
| **What happens if KMP leave?** | Where cessation of employment occurs, the Board may determine the treatment of any award that has been granted to KMP in accordance with Plan Rules which may include forfeiture.<br>The Board has discretion to award an STI plan amount on a pro-rata basis taking into account time and current level of performance of the KMP against the performance hurdles. |

The following table represents the target annual STI opportunity as a percentage of TFR for KMP in 2017 and 2018.

| KMP | STI value as % of TFR 2018 | STI value as % of TFR 2017 |
|---|---|---|
| Philip Wiese | 40% | 40% |
| Thomas Haselgrove | 30% | 30% |
| David Morehead (i) | 30% | – |
| Charles Hughes (i) | 30% | – |
| David Mitchell (i) | 30% | – |

(i) Not KMP in 2017, therefore no comparative information has been provided.

## Variable Remuneration – LTI Plan

Huon's LTI plan applies to KMP (except for the Executive Director) and is designed to align remuneration with long term shareholder value and assist in the motivation, retention and reward of KMP. The RNC reviews all LTI plan offers made to KMP. Shareholder approval is obtained before any LTI plan grants are made to the CEO in accordance with ASX Listing Rules.

**Key Features of the LTI Plan**

| | |
|---|---|
| **Who participates?** | KMP (except for the Executive Director) |
| **How is the LTI plan delivered?** | Granting of performance rights to KMP. These rights provide the KMP with the ability to convert the rights to ordinary shares of the Group upon meeting the performance conditions. |
| **What are the performance hurdles under the FY2018 LTI performance rights grant?** | Performance rights issued under the FY2018 LTI Plan are subject to two separate performance measures:<br>– 50% of the performance rights will be subject to a vesting condition based on earnings per share compound annual growth rate (EPS CAGR) over the performance period; and<br>– 50% of the performance rights will be subject to a vesting condition based on Return on Assets (ROA) over the performance period.<br>Both performance hurdles have threshold levels which need to be achieved before vesting commences. Details of these hurdles and thresholds are outlined in the following section. |
| **When do the FY2018 LTI plan performance rights vest?** | The performance period for the 2018 LTI plan is the period from 1 July 2017 to 30 June 2020. The performance rights granted will vest subject to the performance hurdles associated with the grant and to the extent that certain performance based conditions are achieved in the relevant performance period.<br>Performance rights that have vested may be exercised until the applicable expiry date. If any shares are issued following exercise of a vested performance right prior to the applicable expiry date then they may not be sold or transferred before 1 July 2020. |
| **How are grants treated on termination?** | Where cessation of a KMP's employment occurs, any unvested LTI plan performance rights (or vested and unexercised performance rights) are forfeited, unless deemed otherwise by the Board.<br>For any other reason, the Board may at its discretion retain a pro-rated (based on time) portion of awards on-foot and subject to original performance hurdles. |
| **How are grants treated if a change of control occurs?** | In the event of a change of control, the performance rights may vest at the Board's discretion. In determining whether to exercise its discretion, the Board will have regard to all relevant circumstances, including the level of satisfaction of the performance conditions over the performance period from the grant date to the date of the relevant change in control event.<br>If a company obtains control of the Company as a result of a takeover bid or another corporate action, the company acquiring control (Acquiring Company) and the KMPs may agree together that on the vesting of performance rights, the KMP receive shares in the Acquiring Company in lieu of shares in the Company, on substantially the same terms as before. |
| **Do participants receive distributions or dividends on unvested LTI grants?** | Participants do not receive distribution or dividends on unvested LTI plan grants. |

The following table represents the annual LTI allocation as a percentage of TFR for KMP in 2017 and 2018:

| KMP | LTI value as % of 2018 | LTI value as % of TFR 2017 |
|---|---:|---:|
| Peter Bender | 100% | 100% |
| Philip Wiese | 40% | 40% |
| Thomas Haselgrove | 30% | 30% |
| David Morehead (i) | 30% | – |
| Charles Hughes (i) | 30% | – |
| David Mitchell (i) | 30% | – |

(i) Not KMP in 2017, therefore no comparative information has been provided.

## 2018 LTI Plan Hurdles explained

Performance rights issued under the 2018 LTI Plan are subject to two separate performance measures: 50 percent of the performance rights will be subject to an EPS CAGR vesting condition; and 50 percent will be subject to a ROA vesting condition. These performance hurdles were chosen by the Board as they believe both EPS CAGR and ROA are transparent, well understood and appropriate mechanisms to measure performance and provide a strong link between KMP reward and shareholder wealth creation. Both hurdles are explained in more detail below:

| EPS compound annual growth rate ('CAGR') | Vesting outcome |
|---|---|
| Less than 7.5% CAGR | Nil |
| 7.5% CAGR | 50% |
| Above 7.5% CAGR but below 10% CAGR | Pro-rata from 50-99% |
| 10% CAGR or greater | 100% |

Earnings per share compound annual growth is calculated as the net profit after income tax (NPAT) (excluding adjustment for biological assets) divided by the weighted average number of ordinary shares on issue. Compared to an absolute profit measure, EPS takes into account changes in the equity base and for this reason it is preferred to other profit based metrics.

| ROA (return for the reporting period) | Vesting outcome |
|---|---|
| Less than 10% return | Nil |
| 10% return | 50% |
| Above 10% return but below 15% return | Pro-rata from 50-99% |
| 15% return or greater | 100% |

Return on Assets (ROA) is calculated as statutory earnings before interest and tax (EBIT) (excluding adjustment for biological assets), divided by total assets excluding cash and fair value adjustment on biological assets (average of opening and closing balance). ROA is an appropriate measure for asset intensive industries which reinforces the need to invest capital on projects with a superior return.

## KMP Remuneration Outcomes (Including Link to Performance)

### Huon's Financial and Operational Performance

| Performance measure | Unit | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Operating earnings before interest, tax, depreciation and amortisation (EBITDA) | $m | 71.8 | 62.8 | 26.4 | 40.5 |
| Cash flow from operations (CF) | $m | 57.9 | 54.0 | 16.3 | 17.3 |
| Lost Time Injury Frequency Rate (LTIFR)[i] | hours/million | 4 | 3 | 7 | 27 |
| Earnings per share (EPS) (Operating)[ii] | Cents | 40.53 | 32.90 | 5.13 | 25.64 |
| Return on Assets (ROA) (Operating)[iii] | % | 10.4% | 10.2% | 2.4% | 10.7% |
| Dividend | $m | 8.7 | – | – | 0.8 |
| Dividend payout ratio (Operating) | % | 24.7% | – | – | 3.9% |
| Share price (30 June) | $ | 4.46 | 4.93 | 3.50 | 3.40 |

(i) Long term injury frequency rate is the number of lost time injuries within a given year relative to the total number of hours worked in the same period multiplied by 1 million.

(ii) Earnings per share compound annual growth is calculated as the net profit after income tax (NPAT) (excluding adjustment for biological assets) divided by the weighted average number of ordinary shares on issue.

(iii) Return on Assets (ROA) is calculated as statutory earnings before interest and tax (EBIT) (excluding adjustment for biological assets), divided by total assets excluding cash and fair value adjustment on biological assets (average of opening and closing balance).

## Consolidated Group performance and its link to STI

**Performance against STI plan targets**

The following table shows the Company's 2018 STI performance scorecard measures, weightings and outcomes as applied to the KMP.

| Performance Measures | Description | Weighting | Outcome | Comment |
|---|---|---|---|---|
| Operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA) | Statutory EBITDA excluding adjustment for biological assets. | 50% | Target not achieved | Operating EBITDA is seen as a good guide of the current trading performance of the Company as it is the profitability adjusted for finance cost and reinvestment in assets |
| Cash flow from operation (CF) | Statutory cashflow from operations. | 30% | Target achieved | Cashflow from operations is an important driver of flexibility for the Company to continue to develop its farming systems and to capitalise on opportunities in the market. |
| Lost time injury frequency rate (LTIFR) | Lost time injury frequency rates are the number of lost time injuries within a given year relative to the total number of hours worked in the same period multiplied by 1 million. | 20% | Target not achieved | Staff are a key asset to Huon and as such their safety is paramount. A reduction in LTIFR is a key part of the safety program. |

**STI Outcomes for KMP for 2018**

The following table provides a summary of STI outcomes and payments for the 2018 performance year.

| KMP | STI target $ | Target STI as % of TFR | Total STI Foregone[(i)] $ | Total STI forfeited $ | Total STI achieved as % of STI target |
|---|---|---|---|---|---|
| Philip Wiese | 149,325 | 40% | 44,798 | 104,527 | 0% |
| Thomas Haselgrove | 80,702 | 30% | 24,211 | 56,491 | 0% |
| David Morehead | 80,707 | 30% | 24,212 | 56,495 | 0% |
| Charles Hughes | 74,114 | 30% | 22,234 | 51,880 | 0% |
| David Mitchell | 74,114 | 30% | 22,234 | 51,880 | 0% |

(i) EMG agreed to forgo STI benefits for FY2018 due to certain KPI measures not being achieved during FY2018.

## Consolidated Group performance and its link to LTI

**Performance Against LTI Plan Targets**

The following table shows the performance periods and outcomes for the 2015 LTI Plan which covers the performance period 1 July 2015 to 30 June 2018 and is assessed in FY2018. The total vesting outcome for the three year period is 43.6% of performance rights issued. Any performance rights under the 2015 LTI Plan that do not vest as result of the vesting outcomes will lapse.

The 2016 and 2017 LTI Plans will be assessed against their performance periods and outcomes at the completion of FY2019 and FY2020 respectively.

| LTI Plan | Performance Period/Outcome | Measure | FY2016 | FY2017 | FY2018 | Vesting % |
|---|---|---|---|---|---|---|
| **2015** | Measure | EPS (cents)<br>EPS (GAGR)<br>ROA (%) | 5.13c<br>(80.0%)<br>2.4% | 32.90c<br>13.3%<br>10.2% | 40.53c<br>16.5%<br>10.4% | |
| | Outcome<br>1 July 2015 – 30 June 2016 | EPS<br>ROA | 0%<br>0% | –<br>– | –<br>– | 0%<br>0% |
| | Outcome<br>1 July 2015 – 30 June 2017 | EPS<br>ROA | N/A<br>0% | 100%<br>52% | –<br>– | 100%<br>26% |
| | Outcome<br>1 July 2015 – 30 June 2018 | EPS<br>ROA | N/A<br>0% | N/A<br>52% | 100%<br>54% | 100%<br>35% |

### LTI transactions for KMP for 2018

The following table details the Performance Rights made to KMP during FY2018.

| KMP – Performance rights granted | Grant date | Units granted | Fair value (i) $ | Total fair value of grant 2018 $ |
|---|---|---|---|---|
| Peter Bender | 30 Nov 2017 | 96,575 | 4.01 | 387,057 |
| Philip Wiese | 30 Nov 2017 | 29,186 | 4.01 | 116,973 |
| Thomas Haselgrove | 30 Nov 2017 | 15,773 | 4.01 | 63,216 |
| David Morehead | 30 Nov 2017 | 15,774 | 4.01 | 63,220 |
| Charles Hughes | 30 Nov 2017 | 14,486 | 4.01 | 58,058 |
| David Mitchell | 30 Nov 2017 | 14,486 | 4.01 | 58,058 |

(i) Fair value has been rounded to 2 decimal places

### KMP – Performance rights held

The following table details the Performance Rights held and the movement during FY2018.

| Name Grant Date | Held at Start of Year | Other(i) | Granted During Year | Forfeited | Vested | Unvested at End of Year |
|---|---|---|---|---|---|---|
| Peter Bender | | | | | | |
| – 25 November 2015 | 47,834 | 47,834 | – | (33,172) | – | 62,496 |
| – 30 November 2016 | 134,380 | – | – | (15,789) | – | 118,591 |
| – 30 November 2017 | – | – | 96,575 | – | – | 96,575 |
| Philip Wiese | | | | | | |
| – 19 October 2015 | 14,478 | 14,478 | – | (10,039) | – | 18,917 |
| – 30 November 2016 | 40,612 | – | – | (4,771) | – | 35,841 |
| – 30 November 2017 | – | – | 29,186 | – | – | 29,186 |
| Thomas Haselgrove | | | | | | |
| – 19 October 2015 | 7,824 | 7,823 | – | (5,425) | – | 10,222 |
| – 30 November 2016 | 21,948 | – | – | (2,578) | – | 19,370 |
| – 30 November 2017 | – | – | 15,773 | – | – | 15,773 |
| David Morehead | | | | | | |
| – 19 October 2015 | 15,647 | – | – | (5,425) | – | 10,222 |
| – 30 November 2016 | 21,950 | – | – | (2,579) | – | 19,371 |
| – 30 November 2017 | – | – | 15,774 | – | – | 15,774 |
| Charles Hughes | | | | | | |
| – 19 October 2015 | 14,369 | – | – | (4,981) | – | 9,388 |
| – 30 November 2016 | 20,156 | – | – | (2,368) | – | 17,788 |
| – 30 November 2017 | – | – | 14,486 | – | – | 14,486 |
| David Mitchell | | | | | | |
| – 19 October 2015 | 14,369 | – | – | (4,981) | – | 9,388 |
| – 30 November 2016 | 20,156 | – | – | (2,368) | – | 17,788 |
| – 30 November 2017 | – | – | 14,486 | – | – | 14,486 |

(i) Amounts incorrectly shown as Forfeited in the 2017 Report

## KMP Contracts

Remuneration arrangements for KMP (excluding NEDs) are formalised in employment agreements. The following section of this Remuneration Report outlines key contractual details for Executives and KMP.

### Contractual arrangements

The following table shows the key contractual arrangements for KMP:

| KMP Member | Contract Type | Fixed Remuneration[i] $ | Access to STI | Access to LTI |
|---|---|---|---|---|
| Peter Bender | Ongoing contract | 494,107 | No | Yes |
| Frances Bender | Ongoing contract | 160,551 | No | No |
| Philip Wiese | Ongoing contract | 373,312 | Yes | Yes |
| Thomas Haselgrove | Ongoing contract | 269,006 | Yes | Yes |
| David Morehead | Ongoing contract | 269,023 | Yes | Yes |
| Charles Hughes | Ongoing contract | 247,045 | Yes | Yes |
| David Mitchell | Ongoing contract | 247,045 | Yes | Yes |

(i) Superannuation is paid in addition to fixed remuneration

### Managing Director (MD) and CEO

The MD and CEO (the CEO) is employed under an ongoing contract which can be terminated with notice by either the Company or the CEO. Termination provisions are as follows:

| | Notice Period and/or Notice in Lieu | Restraint Period | Treatment of STI | Treatment of LTI |
|---|---|---|---|---|
| Resignation | 12 months | 3 months | Nil | Unvested awards forfeited |
| Termination for cause | None | 3 months | Nil | Vested and unexercised awards forfeited |
| Termination in cases of death, disablement, redundancy or notice without cause | 12 months | 3 months | Nil | Pro-rated for time and remain on-foot subject to original performance hurdles |

### Executive Director (ED)

The Executive Director (ED) is employed under an ongoing contract which can be terminated with notice by either the Company or the ED. The ED may be entitled to receive incentive payments or additional benefits (such as performance rights under the Long Term Incentive Plan in the future, subject to law and compliance with Listing Rules). Termination provisions are as follows:

| | Notice Period and/or Notice in Lieu | Restraint Period | Treatment of STI | Treatment of LTI |
|---|---|---|---|---|
| Resignation | 12 months | 3 months | Nil | Nil |
| Termination for cause | None | 3 months | Nil | Nil |
| Termination in cases of death, disablement, redundancy or notice without cause | 12 months | 3 months | Nil | Nil |

### Executive Management Group

Members of the executive management group are employed under ongoing contracts which can be terminated with notice by either the Company or the employee. Termination provisions are as follows:

| | Notice Period and/or Notice in Lieu | Restraint Period | Treatment of STI | Treatment of LTI |
|---|---|---|---|---|
| Resignation | 3 months | 3 months | Unvested awards forfeited | Unvested awards forfeited |
| Termination for cause | None | 3 months | Unvested awards forfeited | Unvested awards forfeited |
| Vested and unexercised awards forfeited | | | | |
| Termination in cases of death, disablement, redundancy or notice without cause | 3 months | 3 months | Pro-rated for time and performance | Pro-rated for time and remain on-foot subject to original performance hurdles |

## KMP Remuneration for the Financial Year ended 30 June 2018

The following table of KMP remuneration has been prepared in accordance with accounting standards and the Corporations Act 2001 requirements. The amounts shown relating to share based remuneration are equal to the accounting expense recognised in the Company's financial statements in respect of the LTI grants to KMP. The amounts disclosed do not reflect the actual cash amount received in this year or in future years.

| | Fixed Remuneration | | | | | Variable Remuneration | | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Salary and Fees $ | Non-Monetary $ | Other $ | Long Service and Annual Leave $ | Super-annuation $ | Cash Bonus $ | Performance Rights(i) $ | Total $ | Performance related % |
| **Executive Directors** | | | | | | | | | |
| Peter Bender | | | | | | | | | |
| 2018 | 514,986 | 14,647 | – | (2,815) | 25,105 | – | 411,388 | 963,311 | 43% |
| 2017 | 493,035 | 10,184 | – | 74,034 | 31,764 | – | 122,865 | 731,882 | 17% |
| Frances Bender | | | | | | | | | |
| 2018 | 160,371 | – | – | 7,647 | 23,576 | – | – | 191,594 | – |
| 2017 | 155,644 | – | – | 25,172 | 34,250 | – | – | 215,066 | – |
| **Key Management Personnel** | | | | | | | | | |
| Philip Wiese | | | | | | | | | |
| 2018 | 398,681 | – | – | 4,316 | 25,805 | – | 124,039 | 552,841 | 22% |
| 2017 | 362,677 | – | – | 39,951 | 29,376 | 144,976 | 37,172 | 614,152 | 30% |
| Thomas Haselgrove | | | | | | | | | |
| 2018 | 215,213 | 53,492 | – | 23,582 | 25,527 | – | 67,031 | 384,845 | 17% |
| 2017 | 200,205 | 60,580 | – | 25,722 | 26,206 | 78,351 | 20,090 | 411,154 | 24% |
| David Morehead (from July 2017) | | | | | | | | | |
| 2018 | 268,722 | – | – | 8,316 | 25,529 | – | 67,035 | 369,602 | 18% |
| 2017 | – | – | – | – | – | – | – | – | – |
| Charles Hughes (from July 2017) | | | | | | | | | |
| 2018 | 246,769 | – | – | 12,812 | 23,443 | – | 61,559 | 344,583 | 18% |
| 2017 | – | – | – | – | – | – | – | – | – |
| David Mitchell (from July 2017) | | | | | | | | | |
| 2018 | 246,769 | – | – | (2,465) | 23,443 | – | 61,559 | 329,306 | 19% |
| 2017 | – | – | – | – | – | – | – | – | – |
| **Total** | | | | | | | | | |
| 2018 | 2,051,511 | 68,139 | – | 51,393 | 172,428 | – | 792,611 | 3,136,082 | 25% |
| 2017 | 1,211,561 | 70,764 | – | 164,879 | 121,596 | 223,327 | 180,127 | 1,972,254 | 20% |

(i) Amounts recognised for Performance Rights relate to the expense recognised for the period.

## Non-executive Director (NED) Remuneration

The RNC seeks to set a combined remuneration level that provides the Company with the capability to attract and retain NEDs of the highest calibre and meets acceptable costing levels for shareholders.

The combined remuneration level sought to be approved by shareholders and the NED fee structure will be reviewed annually against fees paid to NEDs from equivalent companies (S&P ASX 200 listed companies with market capitalisation of 50% to 200% of the Company as well as similar sized industry comparators). The RNC may also take advice from independent remuneration consultants when undertaking the annual review process.

The Company's Constitution stipulates that the Board shall determine the total amount paid to each NED as remuneration for their services to the Company. Under the ASX Listing Rules, the total amount of fees paid to NEDs must not, in any financial year, exceed the amount determined by the Company in a general meeting or until so determined by the Board. This amount has been determined by the Board to be $800,000.

NEDs receive a Board fee and fees for chairing or participating on Board Committees (refer table below). NEDs do not receive remuneration that is calculated as a commission or a percentage of operating revenue or profits. Superannuation is included in all NED remuneration. NEDs do not participate in any incentive programs.

| | From 1 September 2017 $ | From 1 August 2014 $ |
|---|---|---|
| **Base fee** | | |
| Chair (no other fees receivable) | 160,000 | 160,000 |
| Other non-executive directors | 70,000 | 70,000 |
| **Additional fees** | | |
| Audit and Risk Management Committee – Chair | 20,000 | 20,000 |
| Audit and Risk Management Committee – member | 10,000 | – |
| Remuneration and Nomination Committee – Chair | 20,000 | 20,000 |
| Remuneration and Nomination Committee – member | 10,000 | – |

### Non-executive Directors

- Neil Kearney (Chairman and Non-executive Director)
- Peter Margin (Chairman and Non-executive Director) (Retired 30 August 2016)
- Simon Lester (Non-executive Director)
- Tony Dynon (Non-executive Director)

The table below shows the actual NED remuneration for FY2017 and FY2018.

| | Base $ | ARC $ | RNC $ | Super annuation $ | Total $ |
|---|---|---|---|---|---|
| Neil Kearney (Chairman) | | | | | |
| 2018 | 146,119 | – | – | 13,881 | 160,000 |
| 2017 | 132,131 | 3,333 | – | 12,869 | 148,333 |
| Peter Margin (Chairman) | | | | | |
| 2018 | – | – | – | – | – |
| 2017 | 21,020 | – | 3,333 | 2,314 | 26,667 |
| Simon Lester | | | | | |
| 2018 | 61,324 | 10,000 | 20,000 | 8,676 | 100,000 |
| 2017 | 61,758 | 8,333 | 16,667 | 8,242 | 95,000 |
| Tony Dynon | | | | | |
| 2018 | 61,324 | 20,000 | 10,000 | 8,676 | 100,000 |
| 2017 | 51,104 | 16,667 | 8,333 | 7,230 | 83,334 |
| Total Non-executive Director remuneration | | | | | |
| 2018 | 268,767 | 30,000 | 30,000 | 31,233 | 360,000 |
| 2017 | 266,013 | 28,333 | 28,333 | 30,655 | 353,334 |

### Director and KMP Shareholdings

The table below refers to direct shareholdings only.

| | Balance at start of FY2018 | Acquired during FY2018 | Other changes during FY2018 | Balance at end of FY2018 |
|---|---|---|---|---|
| Neil Kearney[i] | 6,316 | – | – | 6,316 |
| Simon Lester[i] | 14,516 | – | – | 14,516 |
| Tony Dynon[i] | – | 6,080 | – | 6,080 |
| Peter Bender | 13,098,477 | – | – | 13,098,477 |
| Frances Bender | 5,794 | – | – | 5,794 |
| Peter and Frances Bender[i] | 44,587,252 | – | – | 44,587,252 |
| Philip Wiese[i] | 6,240 | – | – | 6,240 |
| Thomas Haselgrove | 15,000 | – | – | 15,000 |
| David Morehead | 30,423 | – | (17,836) | 12,587 |
| Charles Hughes[i] | 6,585 | – | – | 6,585 |
| David Mitchell | 6,830 | – | – | 6,830 |

(i) Includes indirect holdings

## Loans to KMP and their Related Parties

The Company has not issued any loans to its Directors or KMP or their related parties.

### Other Transactions and Balances with KMP and their Related Parties

| Related Entity Name | Relevant KMP | Nature of transaction | Amount transacted during the financial year period $ |
|---|---|---|---|
| James Bender Contracting Pty Ltd (JBC)* | Peter, Frances Bender | Lease of equipment to Huon | 454,091 |
| PAB Contracting Pty Ltd (PAB)* | Peter, Frances Bender | Lease of equipment to Huon | 82,909 |

* Based on commercial terms.

## Indemnification of Directors, Officers and Auditors

The Company indemnifies current and former Directors and officers for any loss arising from any claim by reason of any wrongful act committed by them in their capacity as a director or officer (subject to certain exclusions as required by law). During the 2018 financial year, Huon paid a total of $66,512 in premiums for Directors and Officers Liability insurance. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such by an officer or auditor.

## Auditor's Independence Declaration

There were no former partners or directors of PricewaterhouseCoopers, the Company's auditor, who are or were at any time during the financial year an officer of the Company.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 40 and forms part of this Directors' Report.

## Non-Audit Services

The Company may decide to employ the auditor for assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Group are important.

During the year the following fees were paid or payable for non-audit services provided by the auditor (PricewaterhouseCoopers Australia), its related practices and non-related audit firms are set out below:

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| **PricewaterhouseCoopers Australia** | | |
| Audit and other assurance services | | |
| Audit and review of financial statements | 200,000 | 240,000 |
| Other assurance services - Audit of grant acquittal | – | – |
| Total remuneration for audit services | 200,000 | 240,000 |
| **Taxation & other advisory services** | | |
| Taxation & other advisory services | 40,800 | 96,900 |
| Other advisory services | 7,800 | 3,000 |
| Total remuneration for taxation & other advisory services | 48,600 | 99,900 |
| **Total remuneration of PricewaterhouseCoopers Australia** | 248,600 | 339,900 |

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

(i) All non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor.

(ii) None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

## Proceedings on Behalf of the Company

There were no proceedings brought, or intervened in, on behalf of the Company with leave under section 237 of the Corporations Act 2001.

## Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, 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, or in certain cases, to the nearest dollar.

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

**Neil Kearney**
Chairman
15 August 2018

**Peter Bender**
Managing Director and CEO
15 August 2018

# *Auditor's Independence Declaration*

As lead auditor for the audit of Huon Aquaculture Group Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Daniel Rosenberg
Partner
PricewaterhouseCoopers

Melbourne
15 August 2018

***PricewaterhouseCoopers, ABN 52 780 433 757***
*2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001*
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# Corporate Governance Statement

**The Board of Directors (Board) of Huon Aquaculture Group Limited (Huon) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders. Strong corporate governance is an important aspect in ensuring that Huon creates sustainable long-term value for its shareholders.**

Huon is committed to ensuring high standards of corporate governance. This statement outlines the key aspects of Huon's governance framework and its principal governance practices.

The Board believes that Huon's policies and practices comply in all material respects with the ASX Corporate Governance Council's Corporate Governance Principles (3rd Edition) (ASX Principles and Recommendations) with the exception of Recommendation 7.3 (Internal Audit function) as detailed in this Statement.

This Corporate Governance Statement was approved by the Board and is current as at 15 August 2018.

Further information about Huon's corporate governance practices and policies can be found on the Company's website.

## Principle 1: Lay solid foundations for management and oversight

### Role of Board and Management

The Board represents shareholders' interests and is accountable for the overall operation and stewardship of the Company and, in particular, for its long-term growth and profitability. The Board is responsible for evaluating and setting the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals.

Huon's Board Charter sets out the Board's key responsibilities as follows:

**Strategy**

- providing input to, and approval of, the Company's strategic direction and budgets as developed by management;
- directing, monitoring and assessing the Company's performance against strategic and business plans;
- reviewing the adequacy of resources for management to properly carry out approved strategies and business plans; and
- approving and monitoring capital management and major capital expenditure, acquisitions and divestments.

**Risk management and reporting**

- identifying the principal risks and overseeing appropriate control and management systems for them;
- reviewing and ratifying the Company's system of risk management and internal compliance and control;
- determining that satisfactory arrangements are in place for auditing the Company's financial affairs; and
- approving and monitoring material internal and external financial and other reporting.

**Relationship with management**

- appointment and removal of the Chief Executive Officer (CEO) and Company Secretary;
- approving the remuneration framework and overseeing remuneration policies and Executive Management performance; and
- establishing and monitoring executive succession planning.

**Monitoring of performance**

- approving criteria for assessing performance of Executive Management and monitoring and evaluating their performance; and
- undertaking an annual evaluation of the performance of the Board.

**Corporate governance**

The Board is responsible for ensuring that policies and compliance systems are in place consistent with the Company's objectives and best practice and that the Company and its employees act legally, ethically and responsibly on all matters.

The Board has adopted a Delegated Authority Policy which outlines the reserved and delegated responsibilities of the Board and the responsibilities of the Executive Management when delegated authority. The CEO and Executive Management are responsible for matters primarily relating to the day-to-day operations and management of the Company and are accountable to the Board.

The Board's role and the Company's corporate governance practices and policies are being continually reviewed and improved as the business grows and develops.

### Board appointments

The responsibility for the selection of potential Directors lies with the Board of the Company. Appropriate background and other checks are undertaken before candidates are considered and appointed by the Board. Directors are initially appointed by the Board subject to election by shareholders at the next Annual General Meeting. Shareholders are provided with all material information on whether or not to elect or re-elect a person as a Director including whether the person will qualify as an independent Director.

Under the Company's Constitution the tenure of Directors is subject to reappointment by shareholders not later than the third anniversary following his/her appointment.

### Written agreements with Directors and Executive Management

Directors have a formal letter of appointment that sets out the key terms and conditions of their appointment. All Directors also sign a Deed which covers issues including indemnity, directors' and officers' liability insurance, the right to obtain independent advice and requirements concerning confidential information. Executive Management are also engaged under a written agreement setting out the terms of their employment.

## Company Secretary

The Company Secretary is accountable to the Board, through the Chairman of the Board, on all matters to do with the proper functioning of the Board and Board Committees. This includes:

- Board agendas
- Board papers and minutes
- advising the Board and its Committees on governance matters
- monitoring the implementation of Board and Committee policies and procedures; and
- statutory and other filings and communication with regulatory bodies and the ASX.

## Diversity policy

In 2014, Huon's Board endorsed its Diversity Policy. The Diversity Policy reflects the Company's approach to managing its greatest asset, its people.

Huon is recognised as an Employer of Choice by the Tasmanian Government in acknowledgement of the highly innovative working culture, opportunities for career growth and the family culture within the workforce.

Huon's workforce is made up of many individuals with diverse skills, values, experiences and backgrounds. The Company is committed to supporting and further developing this diversity through attracting, recruiting, engaging and retaining diverse talent and aligning its culture and systems with this commitment.

The Company believes that commitment to diversity creates competitive advantage and enhances employee participation which is essential to the success of the business. The Board has set measurable objectives and the aim of these is to create an environment conducive to the appointment of well qualified and experienced Board members, Executive Management Group, Senior Management team and employees critical to the success of the Company.

### Diversity objectives

- Foster an inclusive culture of workplace diversity
- Apply and promote Flexible Work Practices Policy
- Present diversity data on Huon's Sustainability Dashboard
- Ensure appropriately qualified and relevantly experienced women are considered at short list stage for Board appointments
- Progressively increase female representation where the business unit is at less than 20% with specific focus on operational areas
- Progressively increase female participation in Huon's Leadership Education and Development Programs
- Align selection practices to deliver an equal mix of male and females students for school based apprenticeships.

### Progress with diversity objectives

There has been steady progress towards achieving the diversity objectives with systems and structured programs in place to support employees from early career stages in developing the necessary skills and relevant experience for leadership roles.

Progress for this reporting period is as follows:

- Implementation of Paid Parental Leave and Domestic Violence Leave
- Implementation of a Remuneration Framework to ensure equitable remuneration across the business
- An overall increase of female representation in Management positions across the business
- Promotions of female employees into management positions increased by 19%
- A 26% participation rate of female employees in Huon's Leadership Program
- Facilitation of "Women on Water" Scholarship to encourage and support a higher representation of female employees in marine related roles.

The Company continues to prioritise merit and competency base selection criteria at the same time recognising diversity in each application of its recruitment and promotion methods. The Company anticipates a long and steady increase in female workforce proportion particularly in relevant key roles and as such has not set a gender target.

### Diversity outcomes

- 20% (2017: 20%) female proportion on the Board
- 0% (2017: 0%) female proportion in Executive Management Group
- 15% (2017: 13%) female proportion in Senior Management
- 13% (2017: 13%) female proportion Management
- 19% (2017: 21%) female proportion Company wide

### Workplace Gender Equality Agency WGEA Report

The Company lodged its annual public report with the Workplace Gender Equality Agency (WGEA) including gender pay equity and achieved compliance status. A copy of the report can be viewed on the Company website.

## Board performance evaluation

The Board adopted a self-evaluation process to review its own, its Committees' and individual Directors performance during FY2018. The Board also reviews the composition and skills mix of the Directors on an ongoing basis to ensure that the Board has the necessary and desirable competencies to govern effectively.

## Executive Management performance evaluation

Arrangements are in place by the Board to monitor and assess the performance of the CEO and Executive Management each financial year. These include:

- a review of the Company's financial and operating performance against targets; and
- performance appraisals incorporating an analysis of the key performance indicators with each individual.

The Board conducts the performance evaluation of the CEO and the CEO conducts the performance evaluations of the Executive Management.

## Principle 2:
## Structure the Board to add value

### Remuneration and Nominations Committee

The Board has a Remuneration and Nomination Committee (RNC) comprising three Non-executive Directors, with the Chairman being an independent Non-executive Director.

The RNC Charter outlines the Committee's role in assisting the Board with decisions regarding the composition and structure of the Board. It does this by reviewing and making recommendations to the Board in relation to:

– the appointment and re-election of Directors;
– the induction and continuing professional development of Directors;
– Board succession planning;
– the recruitment process for a new Director;
– Board, Committees and Director performance evaluation; and
– succession plans for the CEO and other Senior Management.

### Board composition, skills and experience

The Constitution of the Company provides that the number of Directors must at any time be no more than ten and no less than three. The Huon Board is currently comprised of five Directors. A profile of each Director can be found in the on pages 20 to 21 of this Annual Report.

In order to govern effectively, Directors must have a clear understanding of the Company's overall strategy, together with knowledge of the Company and the industry it operates in. Directors must collectively possess the appropriate skills and experience to enable the Board to effectively discharge its responsibilities.

The current skills matrix of the Directors of the Board brings together extensive expertise and experience in relation to all areas of the day-to-day and commercial elements of the Company including:

– industry knowledge – salmon, aquaculture and food;
– international and domestic food markets;
– senior corporate leadership;
– strategy and business development;
– governance and risk management;
– corporate finance;
– brand and marketing; and
– sustainability practices.

The Company actively seeks a variety of skills, experience and expertise to ensure the Board can meet its current and future needs.

### Board and Director independence

Huon has adopted a definition of independence which is consistent with the ASX Principles and Recommendations.

The Non-executive Chairman of the Board, Neil Kearney, and Non-executive Directors, Simon Lester and Tony Dynon, are considered to be independent, meaning that each is free from any management role or business interest or other relationship that could materially interfere with their ability to act in the best interests of Huon as a whole. The Board is confident that each of the Non-executive Directors brings objectivity and makes sound individual contributions to the Company through their deep understanding of Huon's business.

The two Executive Directors, Peter Bender (CEO and Managing Director) and Frances Bender are not independent by virtue of being substantial shareholders in the Company and employed by the Company in an executive capacity.

The Directors are satisfied that there is no individual or group of individuals who dominate the Board's decision-making, and that the current composition of the Board maximises the likelihood that the decisions of the Board will reflect the best interests of the Company and its shareholders.

Only those transactions permitted by Huon's Constitution and the Corporations Act are conducted with Directors or their related parties. These are on the same terms and conditions applying to any other external party, supplier or customer. Directors are required to disclose in writing any related party transactions.

Directors are also required to identify any conflicts of interest they may have in dealing with Huon's affairs and subsequently to refrain from participating in any discussion or voting on those matters. If a potential conflict of interest is likely to arise, the Director concerned does not receive copies of relevant Board papers and withdraws from the Board meeting while those matters are considered. The Director concerned therefore takes no part in the discussion and does not exercise any influence over other members of the Board.

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman. If appropriate, any advice received will be made available to all Board members.

### Director induction and ongoing professional development

The induction of Directors is the role of the Remuneration and Nomination Committee and includes ensuring an effective orientation program is in place. Directors are encouraged to engage in professional development activities and to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.

## Principle 3:
## Act ethically and responsibly

The Company is committed to maintaining ethical standards in the conduct of its business activities. The Company strongly believes that its reputation as an ethical business organisation is important to its ongoing success.

### Code of Conduct

The Board has adopted a Code of Conduct which applies to all Directors and employees of the Company and where relevant and to the extent possible, consultants, secondees and contractors of the Company.

The Code addresses issues including; ethics, personal and business conduct, conflicts of interest, mutual respect and business agreements and contracts.

All suspected breaches of the Code will be thoroughly investigated by the Company. If these investigations reveal breaches of the Code appropriate disciplinary and remedial action will be taken depending on the nature of the breach.

If an employee suspects that a breach of the Code has occurred or will occur, he or she must report that breach to the appropriate person. No employee will be disadvantaged or prejudiced if he or she reports, in good faith, a suspected breach. All reports will be acted upon and kept confidential where appropriate.

The Huon Code of Conduct can be viewed on the Company website.

## Principle 4: Safeguard integrity in corporate reporting

### Audit and Risk Management Committee

An Audit and Risk Management Committee is in place to assist the Board of the Company in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process and internal control structure, risk management systems (financial and non-financial), and the internal and external audit process. The Audit and Risk Management Committee Charter outlines its key responsibilities as follows:

- review and approve internal audit and external audit plans;
- update the internal and external audit plans;
- review and approve financial reports; and
- review the effectiveness of the Company's compliance and risk management functions.

The Committee consists of three Non-executive Directors and a majority of independent Directors. The Chairman of the Committee is an independent Director and is not the Chairman of the Board.

### Integrity of Financial Reporting – CEO and CFO Certification

The CEO, Deputy CEO and CFO respectively provide assurance to the Board that:

- Huon's financial reports for each half year and full year present a true and fair view of the financial position and performance of the Company and are in accordance with the accounting standards;
- their opinion is based on a sound system of risk management and internal compliance and control; and
- the Company's risk management and internal compliance and control system is operating effectively.

### Role of the External Auditor at the AGM

The Company's external auditor attends the Company's AGM and is available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

## Principle 5: Make timely and balanced disclosure

### Continuous Disclosure

The Company is committed to effective communication with its customers, shareholders, market participants, employees, suppliers, financiers, creditors, other stakeholders and the wider community. The Company will ensure that all stakeholders, market participants and the wider community are informed of its activities and performance on a timely basis.

Subject to the ASX Listing Rules, the Company will make publicly available all information to ensure that trading in its shares takes place in an efficient, competitive and informed market.

The Board has adopted a Continuous Disclosure Policy to ensure the Company complies with all disclosure obligations. The Policy addresses all continuous disclosure requirements under the Listing Rules and Corporations Act and incorporates best practice guidelines recommended by ASX, ASIC and the Australasian Investor Relations Association (AIRA). The Company Secretary is responsible for the overall administration and monitoring of the Continuous Disclosure Policy.

Huon's Continuous Disclosure Policy can be viewed on the Company website.

## Principle 6: Respect the rights of security holders

### Information about Huon and its Governance for Investors

Huon places considerable importance on effective engagement and communications with shareholders. It recognises the value of providing current and relevant information to its shareholders. The Board has adopted a Communications Policy which is designed to ensure that the Company:

- provides timely and accurate information equally to all shareholders and market participants regarding the Company including its financial situation, performance, ownership, strategies, activities and governance; and
- adopts channels for disseminating information that are fair, timely and cost efficient.

This information is made available through:

- the Company's website;
- the Huon Aquaculture Sustainability Dashboard;
- briefings and the investor relations program;
- the media;
- continuous disclosure to the ASX;
- Company meetings; and
- the Annual Report.

The Annual Report (which includes Huon's Corporate Governance Statement) can be viewed on the Company website.

## Investor Relations Program

Huon is committed to the promotion of investor confidence by ensuring trading in the Company's shares takes place in an efficient, competitive and informed market. The Deputy CEO of the Company leads the investor relations program and is responsible for the Company's relationship with major shareholders, institutional investors and analysts and is the primary point of contact for those parties. A key component of leading this program is ongoing availability. Huon's Continuous Disclosure Policy and its Communications Policy are integral elements of the investor relations program.

Any written material containing new price-sensitive information to be used in briefing the media, institutional investors and analysts are lodged with ASX prior to the briefing commencing. On confirmation of receipt by ASX, the briefing material is posted to Huon's website. Briefing materials may also include information that may not strictly be required under the continuous disclosure requirements.

Huon will not disclose price-sensitive information in any meeting with investors or analysts before formally disclosing it to the market. The Company considers that one-on-one discussions and meeting with investors and analysts are an important part of pro-active investor relations.

## Policies and processes to facilitate and encourage participation at meetings of security holders

The Company strongly encourages all shareholders to attend meetings and uses and relies on its Communications Policy to ensure awareness and accessibility of those meetings. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals. Shareholders are able to submit questions prior to the Annual General Meeting if they are unable to attend.

## Give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically

Shareholders are able to receive and send communications to the Company and its share registry electronically via the Link Investor Centre. Shareholders are also able to sign up for regular email alerts which include notification of announcements, reports, presentations and summaries. Huon posts all reports, ASX and media releases and copies of significant business presentations on its website. Both email alerts and the Link Investor Centre can be accessed via the Investor section of the Company website.

# Principle 7: Recognise and manage risk

## Committee to oversee Risk

The Board is responsible for risk oversight and the management and internal control of the processes by which risk is considered for both ongoing operations and prospective actions. In specific areas the Board is assisted by the Audit and Risk Management Committee which is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed. The Committee's focus is on risk assessment, including the identification and management of risks as they relate to:

- operational and environmental risk;
- workplace health and safety management; and
- financial risk.

The Committee consists of three Non-executive Directors and a majority of independent Directors. The Chairman of the Committee is an independent Director and is not the Chairman of the Board.

## Review Huon's Risk Management Framework

The Risk Management Policy and Risk Management Framework are reviewed on an annual basis. Any amendments to the Policy and/or Risk Management Framework must be approved by the Board. In addition the Board reviews the Company's risk management at Board meetings, and where required, makes improvements to its risk management and internal compliance control systems.

## Internal Audit Function

The Company does not have an internal audit function due to the nature and size of the Company and the extent of its Risk Management Framework. The Company currently relies on oversight by management, the Audit and Risk Management Committee and the Board to ensure compliance with Huon's Risk Management Policy. The Audit and Risk Management Committee has decided not to introduce an internal audit function, but has engaged the services of a third party to further support the internal audit function during FY2018.

## Management of material exposure to economic, environmental and social sustainability risks

A key pillar of the Company's business strategy is to grow safely and sustainably. Sustainability and environmental measures continue to be a priority for Huon with significant time invested in community consultation and the refinement of systems and procedures directed at positive economic, environmental, animal welfare and social outcomes across the business operations. Risk recognition and management are viewed by the Company as integral to its objectives of creating and maintaining shareholder value and to the successful execution of the Company's strategies.

There are a number of risks, both specific to Huon and of a general nature which may threaten the future operating and financial performance of the Company and its investment value including:

| Risk Type | Identified Risk |
|---|---|
| **Economic** | Market and credit risk |
| | Fish feed prices, supply and quality |
| | Broodstock and smolt supply |
| | People and safety |
| | Fuel and energy prices |
| | Key facility reliance |
| | Legal and contractual |
| | IT reliability and reliance |
| | Brand and reputation |
| **Environmental** | Agricultural – disease, algae |
| | Predator threats |
| | Weather and environmental |
| | Fresh water supply |
| | Regulation |
| **Social** | Corporate image |
| | People and safety |

These risks may change over time as the external environment changes and as the Company expands its operations. The Company's Risk Management Policy outlines processes Huon has adopted for the regular assessment and identification of risks as well as providing a management and response framework including the mitigation of risks where appropriate. Further information on Huon's assessment of the principal risks which could have a material impact on the Company are set out on page 8 in this Annual Report.

## Principle 8: Remunerate fairly and responsibly

### Remuneration and Nominations Committee

The Remuneration and Nomination Committee (RNC) assists the Board by reviewing and making recommendations on remuneration arrangements for Directors and Executives of the Company including:

- the Company's remuneration framework;
- the Company's recruitment, retention and termination policies;
- the Company's remuneration policies including as they apply to Directors;
- equity based remuneration plans for Executive Management and other employees; and
- the remuneration packages for Directors, the CEO and Executive Management.

When needed, the Company has also sought advice from external advisers in relation to the development of appropriate incentive plans for Key Management Personnel (KMP).

### Policies and practices regarding the remuneration of Non-executive Directors and the remuneration of executive Directors and other Executive Management

The Company is committed to attracting and retaining the best people to work in the organisation including Directors and Executive Management. The Board adopted a Remuneration Policy which aims to:

- ensure that coherent remuneration policies and practices are observed which enable the attraction and retention of Directors and management who will create value for shareholders;
- fairly and responsibly reward Directors and Executive Management having regard to the Company's performance, the performance of the Executive Management and the general pay environment; and
- comply with all relevant legal and regulatory provisions.

Remuneration for Executive Directors and Executive Management incorporates fixed and variable pay performance elements with both a short and long term focus. Remuneration packages may contain any or all of the following:

- annual base salary;
- performance based remuneration;
- equity based remuneration;
- other benefits such as holidays, sickness benefits, superannuation payments and long service benefits;
- expense reimbursement; and
- termination payments.

The remuneration of Non-executive Directors is determined by the Board as a whole reflecting the value of the individual's time commitment and responsibilities. Remuneration packages may contain any or all of annual fees, equity based remuneration and other benefits such as superannuation payments. The total remuneration of Non-executive Directors must not exceed the maximum annual amount approved by Company's shareholders (currently $800,000). Detailed information on the Company's remuneration policy and key principles and also the remuneration received by Directors and Key Management Personnel in FY2018 is set out in the Remuneration Report on pages 25 to 37 in this Annual Report.

### Equity based remuneration

Both the Remuneration and Nomination Committee Charter and the Remuneration Policy contain oversight regarding equity-based remuneration. Huon's long term incentive (LTI) plan is delivered through the granting of performance rights which convert to shares in the Company on achievement of specified performance conditions. Participants in the LTI plan are not permitted to enter into transactions which limit the economic risk of participating in the plan.

# Financial Report

For the year ended 30 June 2018

## Consolidated financial statements



## Notes to the consolidated financial statements

### About this report



### Performance



### Investment in controlled growth strategy



### Net debt and working capital



### Other



## Signed reports

# Consolidated income statement

For the year ended 30 June 2018

| | Note | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|---|
| **Revenue from operations** | 1(a) | 318,252 | 259,650 |
| **Other income** | 1(b) | 10,391 | 13,742 |
| **Expenses** | | | |
| Fair value adjustment of biological assets | | (12,867) | 19,178 |
| Changes in inventories of finished goods and work in progress | | (5,765) | 22,997 |
| Raw materials and consumables used | | (154,309) | (146,299) |
| Employee benefits expense | 2 | (58,304) | (56,422) |
| Depreciation and amortisation expense | 2 | (24,455) | (22,665) |
| Finance costs | 2 | (3,659) | (3,609) |
| Freight & distribution expenses | | (18,442) | (11,749) |
| Other expenses | | (20,296) | (18,331) |
| **Total expenses** | | **(298,097)** | **(216,900)** |
| **Profit before income tax expense** | | **30,546** | 56,492 |
| Income tax expense | 23 | (4,159) | (14,332) |
| **Net profit for the period attributable to members of the Company** | | **26,387** | **42,160** |

| | Note | Cents per share 2018 | Cents per share 2017 |
|---|---|---|---|
| **Earnings per ordinary share** | | | |
| Basic (cents per share) | 4 | 30.21 | 48.27 |
| Diluted (cents per share) | 4 | 30.21 | 48.27 |

The number of shares used to determine earnings per ordinary share (EPS) is disclosed in note 4 to the accounts.

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

# Consolidated statement of comprehensive income

For the year ended 30 June 2018

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Profit for the period | 26,387 | 42,160 |
| Other comprehensive income | – | – |
| **Total comprehensive income for the period (net of tax)** | **26,387** | **42,160** |
| **Total comprehensive income attributable to:** | | |
| Owners of Huon Aquaculture Group Limited | 26,387 | 42,160 |
| | **26,387** | **42,160** |

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

# Consolidated balance sheet

As at 30 June 2018

| | Note | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 2,787 | 23,004 |
| Trade and other receivables | 10 | 32,923 | 29,855 |
| Inventories | 11 | 12,397 | 12,375 |
| Biological assets | 3 | 169,361 | 188,015 |
| Other financial assets | 18 | 571 | – |
| Other assets | 12 | 4,970 | 3,089 |
| **Total current assets** | | **223,009** | **256,338** |
| **Non-current assets** | | | |
| Financial assets | 17 | 1,342 | 1,341 |
| Property, plant and equipment | 6 | 286,323 | 223,129 |
| Other assets | 7 | 9,295 | 9,736 |
| Intangible assets | 28,29 | 2,995 | 2,995 |
| **Total non-current assets** | | **299,955** | **237,201** |
| **Total assets** | | **522,964** | **493,539** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 52,311 | 67,811 |
| Borrowings | 14 | 39,160 | 11,188 |
| Other financial liabilities | 31 | – | 679 |
| Current tax liabilities | 23 | 6,432 | – |
| Provisions | 32 | 6,572 | 5,665 |
| Other current liabilities | 33 | 464 | 464 |
| **Total current liabilities** | | **104,939** | **85,807** |
| **Non-current liabilities** | | | |
| Borrowings | 14 | 44,961 | 54,812 |
| Deferred tax liabilities | 23 | 57,577 | 55,650 |
| Provisions | 32 | 1,358 | 1,161 |
| Other non-current liabilities | 33 | 2,424 | 2,887 |
| **Total non-current liabilities** | | **106,320** | **114,510** |
| **Total liabilities** | | **211,259** | **200,317** |
| **Net assets** | | **311,705** | **293,222** |
| **Equity** | | | |
| Contributed equity | 15 | 164,302 | 164,302 |
| Other reserves | 16 | 1,374 | 544 |
| Retained earnings | | 146,029 | 128,376 |
| **Total equity** | | **311,705** | **293,222** |

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

# Consolidated statement of changes in equity

For the year ended 30 June 2018

| | Note | Contributed Equity $'000 | Retained Earnings $'000 | Share-based Payment Reserve $'000 | Total Equity $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2016** | | **164,302** | **86,216** | **255** | **250,773** |
| Profit for the period | | – | 42,160 | – | 42,160 |
| Total other comprehensive income for the year, net of tax | | – | – | – | – |
| Contributions of equity, net of transactions costs | | – | – | – | – |
| Share-based payment expense | 2(b) | | | 289 | 289 |
| Dividends paid or provided for | 5 | – | – | – | – |
| **Balance at 30 June 2017** | | **164,302** | **128,376** | **544** | **293,222** |

| | Note | Contributed Equity $'000 | Retained Earnings $'000 | Share-based Payment Reserve $'000 | Total Equity $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2017** | | **164,302** | **128,376** | **544** | **293,222** |
| Profit for the period | | – | 26,387 | – | 26,387 |
| Total other comprehensive income for the year, net of tax | | – | – | – | – |
| Contributions of equity, net of transactions costs | | – | – | – | – |
| Share-based payment expense | 2(b) | – | – | 830 | 830 |
| Dividends paid or provided for | 5 | – | (8,734) | – | (8,734) |
| **Balance at 30 June 2018** | | **164,302** | **146,029** | **1,374** | **311,705** |

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

# Consolidated statement of cashflows

For the year ended 30 June 2018

| | Note | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 323,506 | 267,143 |
| Payments to suppliers and employees | | (266,479) | (209,710) |
| | | 57,027 | 57,433 |
| Interest received | | 356 | 157 |
| Interest and other costs of finance paid | | (3,659) | (3,609) |
| Income tax (paid)/refunded | | 4,200 | 8 |
| **Net cash inflow/(outflow) from operating activities** | 9 | **57,924** | **53,989** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | 152 | 130 |
| Payments for property, plant and equipment | | (87,679) | (35,045) |
| Payment for business | | – | – |
| Payments for other assets | | (1) | – |
| **Net cash inflow/(outflow) from investing activities** | | **(87,528)** | **(34,915)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares | | – | – |
| Proceeds from borrowings | | 29,053 | 30,435 |
| Repayment of borrowings | | (10,932) | (30,292) |
| Dividends paid to company's shareholders | | (8,734) | – |
| **Net cash inflow/(outflow) from financing activities** | | **9,387** | **143** |
| Net increase/(decrease) in cash held | | (20,217) | 19,217 |
| Cash and cash equivalents at beginning of financial year | | 23,004 | 3,787 |
| **Cash and cash equivalents at end of financial year** | 9 | **2,787** | **23,004** |

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

## About this report

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 incorporated in Australia, and whose shares are publicly traded on the Australian Securities Exchange (ASX).

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

The financial statements were authorised for issue on 15 August 2018 by the Directors of the Company.

All press releases and other information are available on our website www.huonaqua.com.au.

### Basis of preparation

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

The financial statements except for cash flow information, have been prepared on an accruals basis and are based on historical costs (unless otherwise stated).

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

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Huon Aquaculture Group Limited (Parent Entity) as at 30 June 2018 and the results of all subsidiaries for the year then ended. Huon Aquaculture Group Limited and its subsidiaries together are referred to in this financial report as the Consolidated Group.

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

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

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

### Application of new and revised Accounting Standards

#### Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year:

In the current year, the Consolidated Group has applied a number of amendments to AASB's and new Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2017, and therefore relevant for the current year end.

**AASB 2016-1**

'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'

This Standard makes amendments to AASB 112 *Income Taxes* to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

**AASB 2016-2**

'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AAB 107'

The amendments to AASB 107 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative to help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

**AASB 2016-5**

'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'

This Standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions.

**AASB 2016-6**

'Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts'

This Standard amends AASB 4 *Insurance Contracts* to permit issuers of insurance contracts to:

– Choose to apply the 'overlay approach' that involves applying AASB 9 *Financial Instruments* and also applying AASB 139 *Financial Instruments: Recognition and Measurement* to eligible financial assets to calculate a single line item adjustment to profit or loss so that the overall impact on profit or loss is the same as if AASB 9 had been applied; or

– Choose to be temporarily exempt from AASB 9 when those issuers' activities are predominantly connected with insurance, provided they make additional disclosures to enable users to make comparisons with issuers applying AASB 9.

### AASB 2017-3

'Amendments to Australian Accounting Standards – Amendments to Australian Accounting Standards – Clarifications to AASB 4'

The amendments confirm that in Australia compliance with AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* ensures simultaneous compliance with AASB 4.

The Standard also amends AASB 4 to ensure the relief available to issuers of insurance contracts set out in AASB 2016-6 can be applied by an entity applying either AASB 1023 and AASB 1038 if the entity otherwise meets the qualifying criteria.

### AASB Interpretation 22

'Foreign Currency Transactions and Advance Consideration'

This Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which and entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.

## Standards and Interpretations in issue not yet adopted:

| | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 9 'Financial Instruments', and the relevant amending standards | 1 January 2018 | 30 June 2019 |
| AASB 15 'Revenue from Contracts with Customers' and relevant amending standards | 1 January 2018 | 30 June 2019 |
| AASB 16 'Leases' | 1 January 2019 | 30 June 2020 |
| AASB 2017-6 'Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation' | 1 January 2019 | 30 June 2020 |
| AASB 2017-7 'Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures' | 1 January 2019 | 30 June 2020 |
| AASB 2018-1 'Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle' | 1 January 2019 | 30 June 2020 |
| AASB Interpretation 23 'Uncertainty over Income Tax Treatments, and relevant amending standards' | 1 January 2019 | 30 June 2020 |
| Conceptual Framework for Financial Reporting | 1 January 2020 | 30 June 2021 |
| AASB 17 'Insurance Contracts' | 1 January 2021 | 30 June 2022 |
| AASB 2014-10 'Amendments to Australian Accounting Standards – Sale of Contribution of Assets between an Investor and its Associate or Joint Venture' | 1 January 2022 | 30 June 2023 |

The Consolidated Group's assessment of the impact of these new standards and interpretations is set out below:

### 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 Consolidated 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 Consolidated Group's accounting for financial liabilities that are designated at fair value through profit or loss and the Consolidated 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 Consolidated 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 Consolidated Group has assessed how its own financial instruments would be affected by the new rules. At this stage the Consolidated Group does not expect to identify any new hedge relationships. 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. The Consolidated Group will adopt the standard at its application date.

### 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 Consolidated Group has performed a review of all sales agreements with customers, including those under specific contracts and those under the Consolidated Group's general terms of sale. The purpose was to identify the differences between the existing AASB 118 and the revised AASB 15, in terms of timing of recognition and measurement of revenue.

The Consolidated Group sells products with various shipping terms, resulting in the Consolidated Group being responsible for providing transportation services after control of the goods passes to the customer at the last loading point. Under AASB 118 revenue was recognised when control of the goods was passed to the customer, however under AASB 15 revenue is recognised when the goods have been delivered to their final destination and acknowledged by the customer.

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 2018), 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 has assessed the impact of the new standard, and determined that the adoption of the standard will not have a material impact on the Consolidated Group. The standard will be adopted from 1 July 2018.

### AASB 16 Leases

The AASB has issued a new standard to govern accounting for leases. This will replace AASB 117 which previously governed the accounting and disclosure of leases.

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Consolidated Group's operating leases. As at the reporting date, the Consolidated Group has non-cancellable operating lease commitments of $159,713,000. However, the Consolidated Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Consolidated Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Consolidated Group does not intend to adopt the standard before its effective date.

### AASB 2 Share-based Payments

In July 2016, the AASB made amendments to AASB 2 Share-based payments which clarified the effect of vesting conditions on the measurement of cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features and the accounting for a modification of the terms and conditions that changes the classification of the transaction from cash settled to equity-settled.

The amendments do not have to be applied until reporting periods commencing on or after 1 January 2018. Management is currently assessing the impact of the amendments, and has decided not to early adopt them.

There are no other standards or interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# Performance

## 1. Revenue

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **(a) Revenue from operations** | | |
| Revenue from the sale of goods | 317,896 | 259,493 |
| Interest income | 356 | 157 |
| **Total revenue** | **318,252** | **259,650** |
| **(b) Other Income** | | |
| Supplier rebates and freight income | 5,534 | 4,677 |
| Government grants | 724 | 807 |
| Other | 4,133 | 8,258 |
| **Total other income** | **10,391** | **13,742** |
| **Total revenue and other income** | **328,643** | **273,392** |

### Revenue recognition and measurement

#### Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

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

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

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

#### Interest income

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

#### Rebates and freight income

Rebates and freight income are recognised as income when the right to receive the payment has been established. This is generally when the Company has satisfied the necessary regulatory requirements.

#### Government grants

Government grants are assistance by the government in the form of transfers of resources to the Consolidated Group in return for past or future compliance with certain conditions relating to the operating activities of the Consolidated Group. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Consolidated Group 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 Group 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.

## 2. Profit for the year before tax

Profit before income tax from continuing operations includes the following items of revenue and expense:

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **(a) Significant revenue and expenses** | | |
| The following significant revenue and expense items are relevant in explaining the financial performance: | | |
| Revenue: | | |
| – supplier rebates and claims | 614 | 573 |
| – insurance and supplier claims | 3,175 | 7,474 |
| Expense: | | |
| – accrued employee incentives | (804) | 4,100 |
| – legal fees | 1,177 | 1,431 |
| **(b) Expenses** | | |
| Gross Depreciation of non-current assets | 24,014 | 22,229 |
| Gross Amortisation of non-current assets | 441 | 436 |
| **Total Gross depreciation and amortisation** | **24,455** | **22,665** |
| Depreciation – net impact recognised in changes in inventories of finished goods and work in progress | 209 | (748) |
| **Net depreciation and amortisation** | **24,664** | **21,917** |
| Interest & fees | 3,659 | 3,609 |
| Finance lease charges | – | – |
| **Total finance costs** | **3,659** | **3,609** |
| Employee benefits expense | 57,474 | 56,133 |
| Share-based payment expense | 830 | 289 |
| **Total employee benefits costs** | **58,304** | **56,422** |
| **Net (gain)/loss on disposal of property, plant and equipment** | **319** | **47** |

## 3. Biological assets

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Biological assets at fair value[i] | | |
| Opening balance | 188,015 | 147,217 |
| Increase due to production | 224,968 | 208,349 |
| Decrease due to sales/harvest/mortality | (230,755) | (186,729) |
| Movement in fair value of biological assets | (12,867) | 19,178 |
| | **169,361** | **188,015** |
| Closing fair value adjustment on biological assets | 35,676 | 48,543 |
| Total weight of live finfish at sea (kg 000's) | 12,960 | 16,663 |

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

### Fair value measurement

| | 30 June 2018 | | | |
|---|---|---|---|---|
| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| Recurring fair value measurements | | | | |
| Biological Assets | – | – | 169,631 | 169,631 |
| Total financial assets recognised at fair value | – | – | 169,631 | 169,631 |

| | 30 June 2017 | | | |
|---|---|---|---|---|
| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| Recurring fair value measurements | | | | |
| Biological Assets | – | – | 188,015 | 188,015 |
| Total financial assets recognised at fair value | – | – | 188,015 | 188,015 |

**Fair value measurements using significant unobservable input**

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

| Description | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Biological assets at fair value ($'000) | 169,631 | 188,015 |
| Unobservable Inputs | Adjusted weight of live finfish for fair value measurement: 10,714 tonne<br>Price per HOG kg $14.86 to $15.36 | Adjusted weight of live finfish for fair value measurement: 14,475 tonne<br>Price per HOG kg $13.44 to $13.94 |
| Relationship of Unobservable Inputs to Fair value | Increase in price would increase fair value | Increase in price would increase fair value |

## 3. Biological assets (continued)

### Recognition and measurement

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 biological assets are measured at cost less impairment losses.

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

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

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

**Sensitivity analysis – Biological assets**

Based on the market prices and weights utilised at 30 June 2018, with all other variables held constant, the consolidated group's pre-tax profit for the period would have been impacted as follows:

- A pricing increase/decrease of $0.10 would have been a change of $929,761 higher/lower (2017: $1,285,181)
- A weight increase/decrease of 5% would have been a change of $1,783,821 higher/lower (2017: $2,427,135)

**Critical accounting estimates**

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

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

## 4. Earnings per share (EPS)

| | Consolidated 2018 cents per share | Consolidated 2017 cents per share |
|---|---|---|
| Earnings per ordinary share | | |
| Basic (cents per share)[(i)] | 30.21 | 48.27 |
| Diluted (cents per share)[(ii)] | 30.21 | 48.27 |

(i) Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares of the company.

(ii) Diluted earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding including dilutive potential ordinary shares.

**Weighted average number of ordinary shares used as the denominator in the calculation of EPS**

| | 2018 | 2017 |
|---|---|---|
| Number for basic EPS | 87,337,207 | 87,337,207 |
| Number for diluted EPS | 87,337,207 | 87,337,207 |

**Earnings used as the numerator in the calculation of EPS**

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Earnings for basic EPS[(i)] | 26,387 | 42,160 |
| Earnings for diluted EPS[(i)] | 26,387 | 42,160 |

(i) Earnings used in the calculation of basic and diluted earnings per share is as per net profit in the consolidated income statement.

## 5. Dividends

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---:|---:|
| **Fully paid ordinary shares** | | |
| Final dividend for the year ended 30 June 2017 of 5 cents (2016 – 0 cents) per fully paid share | 4,367 | – |
| Interim dividend for the year ended 30 June 2018 of 5 cents (2017 – 0 cents) per fully paid share | 4,367 | – |
| Total dividends provided for or paid | 8,734 | – |

On 15 August 2018 the Directors recommended a final ordinary dividend of $4,367,000 (5 cents per fully paid share) to be paid on 11 October 2018 out of retained earnings at 30 June 2018. The dividend will be 50% franked. The dividend has not been provided for in the 30 June 2018 financial statements.

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---:|---:|
| Franking credits available for subsequent reporting periods based on a tax rate of 30% (2017: 30%) | 15,977 | 15,617 |
| | 15,977 | 15,617 |

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

### Recognition and measurement

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

# Investment in controlled growth strategy

## 6. Property, plant and equipment

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **Land and buildings** | | |
| Freehold land | | |
| Cost | 5,256 | 5,412 |
| **Total land** | **5,256** | **5,412** |
| Buildings | | |
| Cost | 42,690 | 42,176 |
| Accumulated depreciation | (6,456) | (4,364) |
| **Total buildings** | **36,234** | **37,812** |
| **Total land and buildings** | **41,490** | **43,224** |
| **Plant and equipment** | | |
| Plant and equipment | | |
| Cost | 305,948 | 261,841 |
| Accumulated depreciation | (128,262) | (107,141) |
| **Total plant and equipment** | **177,686** | **154,700** |
| Capital work in progress | | |
| Cost | 67,147 | 25,205 |
| **Total capital work in progress** | **67,147** | **25,205** |
| Leased plant and equipment | | |
| Cost | – | – |
| Accumulated depreciation | – | – |
| Total leased plant and equipment | – | – |
| **Total plant and equipment** | **244,833** | **179,905** |
| **Total property, plant and equipment** | **286,323** | **223,129** |

## 6. Property, plant and equipment (continued)

| Consolidated | Land and Buildings | | Plant and Equipment | | | |
|---|---|---|---|---|---|---|
| | Freehold $'000 | Buildings $'000 | Plant and equipment $'000 | Leased plant and equipment $'000 | Capital work in progress $'000 | Total $'000 |
| **Year ended 30 June 2018** | | | | | | |
| Cost | 5,256 | 42,690 | 305,948 | – | 67,147 | 421,041 |
| Accumulated depreciation | – | (6,456) | (128,262) | – | – | (134,718) |
| **Net Carrying amount** | **5,256** | **36,234** | **177,686** | **–** | **67,147** | **286,323** |
| **Movement** | | | | | | |
| Net carrying amount at the beginning of the year | 5,412 | 37,812 | 154,700 | – | 25,205 | 223,129 |
| Additions | – | – | 1,025 | – | – | 1,025 |
| Disposals and write-offs | (156) | – | (315) | – | – | (471) |
| Work In Progress Additions | – | – | – | – | 86,654 | 86,654 |
| Depreciation and amortisation | – | (2,091) | (21,923) | – | – | (24,014) |
| Acquisition in business combination | – | – | – | – | – | – |
| Capitalisation to asset categories | – | 513 | 44,199 | – | (44,712) | – |
| Transfers between classes | – | – | – | – | – | – |
| **Net carrying amount at the end of the year** | **5,256** | **36,234** | **177,686** | **–** | **67,147** | **286,323** |

| Consolidated | Land and Buildings | | Plant and Equipment | | | |
|---|---|---|---|---|---|---|
| | Freehold $'000 | Buildings $'000 | Plant and equipment $'000 | Leased plant and equipment $'000 | Capital work in progress $'000 | Total $'000 |
| **Year ended 30 June 2017** | | | | | | |
| Cost | 5,412 | 42,176 | 261,841 | – | 25,205 | 334,634 |
| Accumulated depreciation | – | (4,364) | (107,141) | – | – | (111,505) |
| **Net Carrying amount** | **5,412** | **37,812** | **154,700** | **–** | **25,205** | **223,129** |
| **Movement** | | | | | | |
| Net carrying amount at the beginning of the year | 5,512 | 37,652 | 158,257 | – | 9,069 | 210,490 |
| Additions | | 114 | 637 | – | – | 751 |
| Disposals and write-offs | (100) | – | (77) | – | – | (177) |
| Work In Progress Additions | – | – | – | – | 34,294 | 34,294 |
| Depreciation and amortisation | – | (2,022) | (20,207) | – | – | (22,229) |
| Acquisition in business combination | – | – | – | – | – | – |
| Capitalisation to asset categories | – | 2,065 | 16,093 | – | (18,158) | – |
| Transfers between classes | – | 3 | (3) | – | – | – |
| **Net carrying amount at the end of the year** | **5,412** | **37,812** | **154,700** | **–** | **25,205** | **223,129** |

## 6. Property, plant and equipment (continued)

### Recognition and measurement

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

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

Assets are depreciated on a straight line basis. Land is not depreciated.

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

| Class of Fixed Asset | Useful Life |
|---|---|
| Buildings | 10 – 40 years |
| Leasehold improvements | 5 – 20 years |
| Plant and equipment | 2 – 30 years |

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

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

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

## 7. Other non-current assets

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **Marine farming leases** | | |
| Cost | 16,244 | 16,244 |
| Accumulated amortisation | (6,949) | (6,508) |
| | **9,295** | **9,736** |

### Recognition and measurement

Marine farming leases are recorded at cost. Amortisation is based on the term of the lease and the expense is charged through the consolidated income statement. All marine leases are held for a term of 30 years.

## 8. Capital and leasing commitments

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **Non-cancellable operating leases** | | |
| Not longer than 1 year | 14,612 | 14,108 |
| Longer than 1 year and not longer than 5 years | 64,714 | 47,878 |
| Longer than 5 years | 79,954 | 6,889 |
| | **159,280** | **68,875** |

The group has operating lease commitments relating to a range of equipment, the most significant portion relating to marine vessels. The commitments are principally driven by the operating lease entered into for the well-boat 'Ronja Huon'.

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **Finance lease liabilities** | | |
| Not longer than 1 year | – | – |
| Longer than 1 year and not longer than 5 years | – | – |
| Longer than 5 years | – | – |
| | – | – |
| Less future finance charges | – | – |
| Present value of minimum lease payments | **–** | **–** |
| **Capital expenditure commitments** | | |
| Plant and equipment | – | – |
| Capital expenditure projects | 8,984 | – |
| | **8,984** | **–** |
| Payable: | | |
| Not longer than 1 year | 8,984 | – |
| Longer than 1 year and not longer than 5 years | – | – |
| Longer than 5 years | – | – |
| | **8,984** | **–** |

### Recognition and measurement

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

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

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

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

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

# Net debt and working capital

## 9. Notes to the statement of cashflows

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **(a) Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cashflows is reconciled to the related items in the Statement of Financial Position as follows:** | | |
| Cash and cash equivalents | 2,787 | 23,004 |
| | 2,787 | 23,004 |
| **(b) Reconciliation of profit for the period to net cash inflow from operating activities:** | | |
| Profit for the period | 26,387 | 42,160 |
| Non-cash items | | |
| Depreciation and amortisation | 24,455 | 22,665 |
| Net (gain)/loss on disposal of non-current assets | 319 | 47 |
| Share-based payment expense | 830 | 289 |
| (Increase)/decrease in assets | | |
| Trade and other receivables | (3,639) | (6,308) |
| Biological assets and inventories | 18,632 | (42,175) |
| Current tax receivable | – | 3 |
| Prepayments | (1,881) | (474) |
| Increase/(decrease) in liabilities | | |
| Trade and other payables | (16,179) | 23,193 |
| Current tax liabilities | 6,432 | – |
| Deferred tax liabilities | 1,927 | 14,337 |
| Provisions | 1,104 | 715 |
| Other liabilities | (463) | (463) |
| **Net cash inflow from operations** | **57,924** | **53,989** |

### Recognition and measurement

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

## 10. Trade and other receivables

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Trade receivables | 31,897 | 28,387 |
| Provision for impairment | (296) | (242) |
| Other receivables | 1,322 | 1,710 |
| | **32,923** | **29,855** |
| **Provision for impairment** | | |
| Movements in the provision for impairment were as follows: | | |
| Carrying value at the beginning of the year | (242) | (260) |
| Provision for impairment recognised | (54) | (402) |
| Receivables written off as uncollectable | – | 420 |
| **Provision for impairment at year end** | **(296)** | **(242)** |
| **Trade receivables past due but not impaired** | | |
| Under one month | 8,574 | 7,719 |
| One to three months | 910 | 307 |
| Over three months | – | – |
| | **9,484** | **8,026** |

### Recognition and measurement

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

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

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

### Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount approximates to fair value.

### Credit risk

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

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

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

## 11. Inventories

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Processed fish & finished goods | 6,348 | 5,720 |
| Feed and packaging | 6,572 | 7,138 |
| Inventory provisions | (523) | (483) |
| | **12,397** | **12,375** |

### Recognition and measurement

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

## 12. Other assets

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Prepayments | 4,970 | 3,089 |
| | **4,970** | **3,089** |

## 13. Trade and other payables

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Trade payables | 48,466 | 58,433 |
| Other payables | 3,845 | 9,378 |
| Goods and services tax (GST) payable | – | – |
| | **52,311** | **67,811** |

### Recognition and measurement

Trade and other payables represent the liabilities for goods and services received by the Consolidated Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 45 days of recognition of the liability.

### Fair values of trade and other payables

Due to the short-term nature of trade and other payables, their carrying amount approximates to fair value.

## 14. Borrowings

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **Current** | | |
| Secured | | |
| Finance lease liabilities | – | – |
| Bank Loans | 36,851 | 9,851 |
| Other Loans | 2,291 | 1,319 |
| Unsecured | | |
| Other loans | 18 | 18 |
| | **39,160** | **11,188** |
| **Non-current** | | |
| Secured | | |
| Finance lease liabilities | – | – |
| Bank Loans | 44,913 | 54,764 |
| Other Loans | – | – |
| Unsecured | | |
| Other loans | 48 | 48 |
| | **44,961** | **54,812** |
| | **84,121** | **66,000** |

The weighted average effective interest rate on the bank loans is 3.49% per annum (2017: 3.45% per annum).

| | 2018 $'000 | | 2017 $'000 | |
|---|---|---|---|---|
| | Limit | Undrawn Balance | Limit | Undrawn Balance |
| Term Loan | 55,000 | – | 65,000 | – |
| Term Loan | 50,000 | 24,000 | 30,000 | 30,000 |
| Working Capital | 6,000 | 5,000 | 6,000 | 6,000 |
| 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 | 113,500 | | 103,500 | – |
| Aggregate Undrawn Balance | | 29,200 | – | 36,200 |

## 14. Borrowings (continued)

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.

The Consolidated Group has facility agreements ("Facilities") in place with its key banking partners to source debt and working capital funding. The Facilities, together with certain proceeds from the issue of shares under the Initial Public Offering, are being utilised to fund operations and Huon's Controlled Growth Strategy. The Facilities are reviewed periodically to maintain an optimal capital structure consistent with the Consolidated Group's Capital Management strategy.

The Facilities have a variable interest rate on amounts drawn calculated at a variable rate by reference to the Australian dollar BBSY and are subject to line fees on drawn and undrawn facilities.

### Facility Renewal:

The Consolidated Group entered into a facility agreement to refinance its debt facilities in October 2014 which are due to expire in October 2018 and September 2019. The Consolidated Group is currently in the process of renewing these facilities with its existing banking partners.

The Consolidated Group expects to secure renewal of the facilities on terms consistent with the existing agreement and with a facility limit that is consistent with the Consolidated Group's Capital Management strategy. It is expected the renewal will be completed in the first half of FY2019.

### Loan covenants:

Under the terms of the Facilities, the group is required to comply with certain financial covenants. During the financial year as part of the annual review of the Consolidated Group's Facilities, the covenants were updated to the following:

- Equity Ratio (Tangible Net Worth/Total Tangible Assets) greater than 50% (measured annually on 30 June);
- Leverage Ratio (Gross Debt/Operating EBITDA) not greater than a maximum of 2.00 times (measured quarterly on a rolling 12 month basis);
- Interest Cover Ratio (Operating EBITDA/Total Finance Costs) greater than 3.5 times (measured quarterly on a rolling 12 month basis); and
- Actual capital expenditure not more than 110% of the annual capital expenditure budget approved by financiers.

The group complied with the financial covenants throughout the reporting period.

**Recognition and measurement**

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

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

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

### Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

## 15. Issued capital

| | Consolidated 2018 | | Consolidated 2017 | |
|---|---|---|---|---|
| | 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.

| | | 2018 | | 2017 | |
|---|---|---|---|---|---|
| | Note | No. | $'000 | No. | $'000 |
| **(b) Movements in ordinary share capital** | | | | | |
| At the beginning of the reporting period | (i) | 87,337,207 | 164,302 | 87,337,207 | 164,302 |
| Share subdivision | | – | – | – | – |
| Issue of new shares | | – | – | – | – |
| Less: Transaction costs arising on share issues | | – | – | – | – |
| **At the end of the reporting period** | | **87,337,207** | **164,302** | **87,337,207** | **164,302** |

(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.

### (c) Capital Management

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

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

There are no externally imposed capital requirements.

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

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

## 15. Issued capital (continued)

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Total borrowings | 84,121 | 66,000 |
| Less cash and cash equivalents | (2,787) | (23,004) |
| Net debt | **81,334** | 42,996 |
| Total equity | **311,706** | 293,222 |
| Gearing ratio | **26.1%** | 14.7% |

### Recognition and measurement

Ordinary shares are classified as equity.

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

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

## 16. Other reserves

**Share-based payment reserve**

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Balance at the beginning of financial year | 544 | 255 |
| Share-based payment expense | 830 | 289 |
| Balance at the end of financial year | **1,374** | **544** |

The share-based payment reserve is used to recognise the grant date fair value of performance rights issued to employees. The performance rights are issued to the Chief Executive Officer and Management as part of the LTI plan. Refer to note 26 for further details.

# Other

## 17. Financial assets

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Investment in Salmon Enterprises of Tasmania Pty Ltd ("Saltas")(i) | 1,341 | 1,341 |
| Investment in Commercial Fishermans Co-operative | 1 | – |
| | **1,342** | **1,341** |

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

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

### Recognition and Measurement

Investments are initially recorded at cost or fair value. Individual investments are assessed for any impairment in value.

## 18. Other financial assets

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Derivatives carried at fair value | | |
| Foreign currency forward contracts | 571 | – |
| | **571** | **–** |

Refer to note 19 for fair value measurement and hierarchy.

## 19. 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 3)

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.

## 19. Fair value measurements (continued)

### Recognition and measurement

**Financial instruments**

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

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

**Initial recognition and measurement**

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

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

**Classification and Subsequent Measurement**

Financial instruments are classified at fair value or amortised cost depending on their classification in accordance with AASB 139. Where available, quoted prices in an active market are used to determine fair value.

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

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

(i) FINANCIAL ASSETS AT FAIR VALUE THROUGH CONSOLIDATED INCOME STATEMENT

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

(ii) LOANS AND RECEIVABLES

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

(iii) HELD-TO-MATURITY INVESTMENTS

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

(iv) FINANCIAL LIABILITIES

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

## 19. Fair value measurements (continued)

### Impairment

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

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

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

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

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

### Derecognition

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

## 20. Financial risk management

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

Risk management is carried out under policies approved by the Board.

The Consolidated Group holds the following financial instruments:

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents | 2,787 | 23,004 |
| Trade and other receivables | 32,924 | 29,855 |
| Derivative financial instruments | 571 | – |
| **Total Financial Assets** | **36,282** | **52,859** |
| **Financial Liabilities** | | |
| Trade and other payables | 52,311 | 67,811 |
| Borrowings | 84,121 | 66,000 |
| Derivative financial instruments | – | 679 |
| **Total Financial Liabilities** | **136,432** | **134,490** |

## 20. Financial risk management (continued)

### (a) Credit risk

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

Credit risk also arises in relation to financial guarantees given to certain parties (see notes 21 and 26(c)(ii) for details). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

### (b) Liquidity risk

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

#### Financing arrangements

The Consolidated Group had access to the following undrawn borrowing facilities at the end of the reporting period:

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Floating rate | | – |
| Expiring within one year (bank loans) | 5,000 | 6,000 |
| Expiring beyond one year (bank loans) | 24,000 | 30,000 |
| | **29,000** | **36,000** |

#### Maturities of financial liabilities

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

(a) based on their contractual maturities:

  (i) all non derivative financial liabilities

  (ii) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of cash flows.

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

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

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

| Contractual maturities of financial liabilities | Within 1 year $'000 | 1 to 5 years $'000 | Over 5 years $'000 | Total $'000 | Carrying Amount $'000 |
|---|---|---|---|---|---|
| **At 30 June 2018** | | | | | |
| NON DERIVATIVES | | | | | |
| Borrowings | 40,716 | 47,572 | – | 88,288 | 84,121 |
| Trade and other payables | 52,311 | – | – | 52,311 | 52,311 |
| **Total expected outflows** | **93,027** | **47,572** | **–** | **140,599** | **136,432** |
| DERIVATIVES | | | | | |
| Net settled (forward foreign exchange contracts) | | | | | |
| – (inflow) | 571 | – | – | 571 | 571 |
| – outflow | – | – | – | – | – |
| **Total expected (inflow)/outflow** | **571** | **–** | **–** | **571** | **571** |

## 20. Financial risk management (continued)

| Contractual maturities of financial liabilities | Within 1 year $'000 | 1 to 5 years $'000 | Over 5 years $'000 | Total $'000 | Carrying Amount $'000 |
|---|---|---|---|---|---|
| **At 30 June 2017** | | | | | |
| NON DERIVATIVES | | | | | |
| Borrowings | 13,675 | 59,518 | – | 73,193 | 66,000 |
| Trade and other payables | 67,811 | – | – | 67,811 | 67,811 |
| **Total expected outflows** | **81,486** | **59,518** | **–** | **141,004** | **133,811** |
| DERIVATIVES | | | | | |
| Net settled (forward foreign exchange contracts) | | | | | |
| – (inflow) | – | – | – | – | – |
| – outflow | 679 | – | – | 679 | 679 |
| **Total expected (inflow)/outflow** | **679** | **–** | **–** | **679** | **679** |

### (c) Market risk management

(i) INTEREST RATE RISK MANAGEMENT

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

Interest rate risk is managed by using a mix of fixed and floating rate debt and the Consolidated Group enters into interest rate swaps from time to time to convert debt to a fixed rate. At 30 June 2018: 97% (2017: 98%) of Consolidated Group debt is floating. The Consolidated Group also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

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

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

| | Weighted average interest rate | | Consolidated notional principal value | |
|---|---|---|---|---|
| | 2018 % | 2017 % | 2018 $'000 | 2017 $'000 |
| **Floating rate instruments** | | | | |
| Bank Loans | 3.49% | 3.45% | 82,000 | 65,000 |
| | | | **82,000** | **65,000** |

## 20. Financial risk management (continued)

### Interest rate sensitivity analysis

At 30 June 2018, if interest rates had increased by 50 basis points or decreased by 50 basis points from the year end rates with all other variables held constant, pre-tax profit for the period would have been $310,817 higher / $310,817 lower (2017 changes of 50bps/50bps: $214,453 higher/$214,453 lower), mainly as a result of higher/lower interest income from cash and cash equivalents.

(ii) FOREIGN EXCHANGE RISK

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

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

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

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

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Trade payables (import creditors) | 15,887 | 11,232 |
| Forward exchange contracts | | |
| Buy foreign currency (cash flow hedges) | 12,984 | 40,363 |
| Sell foreign currency (cash flow hedges) | 6,167 | 4,417 |

### Consolidated Group sensitivity

Based on the financial instruments held at 30 June 2018, had the Australian dollar strengthened/weakened by 10% against the US dollar and the Japanese Yen with all other variables held constant, the Consolidated Group's pre-tax profit for the period would have been $1,536,863 higher/$1,108,976 lower (2017: $3,746,927 higher/$4,029,072 lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

## Recognition and measurement

### Foreign Currency Transactions and Balances

FUNCTIONAL AND PRESENTATION CURRENCY

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

TRANSACTIONS AND BALANCES

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

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

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

## 21. Parent information

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

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **Statement of financial position** | | |
| **Assets** | | |
| Current assets | 1 | – |
| Non-current assets | 172,251 | 168,103 |
| **Total assets** | **172,252** | **168,103** |
| **Liabilities** | | |
| Current liabilities | 6,432 | – |
| **Total liabilities** | **6,432** | **–** |
| **Equity** | | |
| Issued capital | 164,302 | 164,302 |
| Share-based payment reserve | 1,374 | 544 |
| Retained earnings | 8,878 | 3,257 |
| Dividends provided for or paid | (8,734) | – |
| **Total equity** | **165,820** | **168,103** |
| **Financial performance** | | |
| Profit/(loss) for the period | 5,533 | (289) |
| **Total comprehensive income/(loss)** | **5,533** | **(289)** |

### Parent Entity financial information

The financial information for the Parent Entity, Huon Aquaculture Group Limited, disclosed above has been prepared on the same basis as the consolidated financial statements, except as set out below. Huon Aquaculture Group Limited is the ultimate parent entity.

### Transactions with related entities

The loss of the Parent Entity shown above is due to the recognition of expenditure in relation to performance rights limited to share-based remuneration.

Investments in subsidiaries, associates, and joint venture entities are accounted for at cost in the financial statements of Huon Aquaculture Group Limited. Dividends received from associates are recognised in the Parent Entity's consolidated income statement when its right to receive the dividend is established.

## 21. Parent information (continued)

### Tax consolidation legislation

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

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

In addition to its own current and deferred tax amounts, Huon Aquaculture Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax Consolidated Group. In the current year tax losses of $11,557,574 (tax effected at 30%) (2017: $4,404,767 (tax effected at 30%)) have been assumed from controlled entities in the tax Consolidated Group.

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

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

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

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

## 22. Deed of cross guarantee

The wholly-owned subsidiaries disclosed in note 30 are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The closed group financial information for 2017 and 2018 is identical to the financial information included in the consolidated financial statements. The wholly-owned subsidiaries became a party to the deed of cross guarantee dated 28 June 2016.

The companies disclosed in note 30 represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Huon Aquaculture Group Limited, they also represent the 'extended closed group'.

## 23. Income tax

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **(a) Income tax recognised in profit or loss:** | | |
| Tax (expense)/income comprises: | | |
| Current tax (expense)/income | (6,432) | 5 |
| Adjustments for current tax of prior periods | 4,196 | 2,616 |
| Increase in deferred tax assets | (5,244) | (2,647) |
| Increase in deferred tax liabilities | 3,321 | (14,306) |
| **Total tax (expense)** | **(4,159)** | **(14,332)** |
| The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows: | | |
| **Profit from continuing operations before income tax expense** | **30,546** | **56,492** |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2017: 30%) for the Consolidated Group. | (9,164) | (16,948) |
| Adjustment recognised in the current year in relation to prior years: | | |
| Research and development tax credit | 5,012 | 3,315 |
| Other | – | (691) |
| Non-tax deductible items | (7) | (8) |
| **Income tax (expense)** | **(4,159)** | **(14,332)** |
| The applicable weighted average effective tax rates are as follows: | 13.6% | 25.4% |
| **(b) Income tax recognised directly in equity:** | | |
| Deferred tax: | | |
| Share issue costs | – | – |
| | – | – |
| **(c) Current tax balances:** | | |
| Current tax receivables comprise: | | |
| Income tax receivable attributable to: | | |
| Entities in the tax-Consolidated Group | – | – |
| Net current tax balance | – | – |
| Current tax liabilities comprise: | | |
| Income tax payable attributable to: | | |
| Entities in the tax-Consolidated Group | 6,432 | – |
| Net current tax balance | 6,432 | – |

## 23. Income tax (continued)

**(d) Deferred tax balances:**

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

| 2018 | Opening balance $'000 | Charged to income $'000 | Adjustments for current tax of prior periods $'000 | Closing balance $'000 |
|---|---|---|---|---|
| **Gross deferred tax liabilities:** | | | | |
| Biological assets | (52,811) | 6,214 | – | (46,597) |
| Property, plant and equipment | (9,749) | (2,950) | (122) | (12,821) |
| Trade and other receivables | (21) | (125) | – | (146) |
| Other non-current assets | (2,069) | 132 | – | (1,937) |
| Other financial assets | (350) | 50 | – | (300) |
| | **(65,000)** | **3,321** | **(122)** | **(61,801)** |
| **Gross deferred tax assets:** | | | | |
| Provisions | 2,048 | 331 | – | 2,379 |
| Other financial assets | – | – | – | – |
| Trade and other receivables | 276 | (358) | – | (82) |
| Property, plant and equipment | 197 | (12) | – | 185 |
| Other intangibles | 3 | – | – | 3 |
| Share issue expenses | 680 | (345) | – | 335 |
| Tax Losses | 537 | (659) | 122 | – |
| Research and development | 3,315 | (3,315) | – | – |
| Borrowing costs | 8 | (1) | (4) | 3 |
| Share-based payments | 163 | 249 | – | 412 |
| Deferred Revenue | 1,005 | (139) | – | 866 |
| Trade and other payables | 1,118 | (995) | – | 123 |
| | **9,350** | **(5,244)** | **118** | **4,224** |
| **Net deferred tax asset/(liability)** | **(55,650)** | **(1,923)** | **(4)** | **(57,577)** |

| 2017 | Opening balance $'000 | Charged to income $'000 | Adjustments for current tax of prior periods $'000 | Closing balance $'000 |
|---|---|---|---|---|
| **Gross deferred tax liabilities:** | | | | |
| Biological assets | (40,667) | (12,144) | – | (52,811) |
| Property, plant and equipment | (6,440) | (2,382) | (927) | (9,749) |
| Trade and other receivables | (72) | 51 | – | (21) |
| Other non-current assets | (2,200) | 131 | – | (2,069) |
| Other financial assets | (388) | 38 | – | (350) |
| | **(49,767)** | **(14,306)** | **(927)** | **(65,000)** |
| **Gross deferred tax assets:** | | | | |
| Provisions | 1,833 | 215 | – | 2,048 |
| Other financial assets | – | – | – | – |
| Trade and other receivables | 57 | 219 | – | 276 |
| Property, plant and equipment | 214 | (17) | – | 197 |
| Other intangibles | 3 | – | – | 3 |
| Share issue expenses | 1,026 | (346) | – | 680 |
| Tax Losses | 4,010 | (3,697) | 224 | 537 |
| Research and development | – | – | 3,315 | 3,315 |
| Borrowing costs | 4 | – | 4 | 8 |
| Share-based payments | 76 | 87 | – | 163 |
| Deferred Revenue | 1,144 | (139) | – | 1,005 |
| Trade and other payables | 87 | 1,031 | – | 1,118 |
| | **8,454** | **(2,647)** | **3,543** | **9,350** |
| **Net deferred tax asset/(liability)** | **(41,313)** | **(16,953)** | **2,616** | **(55,650)** |

## 23. Income tax (continued)

### Recognition and measurement

(Refer to note 21 for Tax Consolidation legislation)

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

Current income tax expense charged to the consolidated income statement is the tax payable on taxable income. Current tax liabilities/assets are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

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

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

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

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

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

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

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

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

Companies within the Consolidated Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Incentive regime in Australia). The Consolidated Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.

## 24. Key management personnel compensation

The totals of remuneration for key management personnel (KMP) of the Consolidated Group during the year are as follows:

| | **Consolidated 2018 $** | **Consolidated 2017 $** |
|---|---|---|
| Short-term employee benefits | 2,499,810 | 1,993,210 |
| Post-employment benefits | 203,661 | 152,251 |
| Long-term benefits | – | – |
| Termination benefits | – | – |
| Share-based payments | 792,611 | 180,127 |
| | **3,496,082** | **2,325,588** |

No remuneration was paid by the Parent Entity to the KMP.

## 25. Share-based payment

### (a) Share-based payment arrangements

The Consolidated Group offers the Chief Executive Officer, Executive Management Group and senior management the opportunity to participate in the Long-Term Incentive Plan ("the Plan"), which involves performance rights to acquire shares in Huon Aquaculture Group Limited. The Plan is designed to:

- assist in the motivation, retention and reward of employees, including the Chief Executive Officer and members of management; and
- align the interests of employees participating in the Plan more closely with the interests of shareholders by providing an opportunity for those employees to receive an equity interest in the Huon Aquaculture Group through the granting of performance rights.

### Performance period

Under the Plan, performance rights were issued to the Chief Executive Officer and members of management as the LTI component of their remuneration. Performance rights granted under the LTI offer have the following vesting conditions:

- 50% of the performance rights will be subject to a vesting condition based on the Company's earnings per share (EPS); and
- 50% of the performance rights will be subject to a vesting condition based on the Company's return on assets (ROA)

If the specific 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 management on the vesting of those performance rights.

In the event that a performance right holder ceases to be an employee prior to the completion of the performance period due to a qualifying reason (i.e. other than for dismissal for cause) and such cessation occurs within the first twelve months of the grant of the performance rights, then the performance rights will be forfeited on a pro-rata basis for the number of months employed in the full year.

Performance rights that have vested may be exercised until the applicable expiry date. If any shares are issued following exercise of a vested performance right prior to the applicable expiry date then they may not be sold or transferred before three years after the beginning of the performance period.

### Number of Shares to be Allocated

The percentage of performance rights that vest at the end of each applicable performance period will be determined by reference to the following schedule:

**Earnings Per Share (EPS) – 50% of LTI**

| EPS compound annual growth rate ('CAGR') | Vesting outcome |
|---|---|
| Less than 7.5% CAGR | Nil |
| 7.5% CAGR | 50% |
| Above 7.5% CAGR but below 10% CAGR | Pro-rata from 50-99% |
| 10% CAGR or greater | 100% |

**Return On Assets (ROA) – 50% of LTI**

| ROA (return for the reporting period) | Vesting outcome |
|---|---|
| Less than 10% return | Nil |
| 10% return | 50% |
| Above 10% return but below 15% return | Pro-rata from 50-99% |
| 15% return or greater | 100% |

Earnings per share compound annual growth is calculated as the net profit after income tax (NPAT) (excluding adjustment for biological assets) divided by the weighted average number of ordinary shares on issue. Compared to an absolute profit measure, EPS takes into account changes in the equity base and for this reason it is preferred to other profit based metrics.

Return on Assets (ROA) is calculated as statutory earnings before interest and tax (EBIT) (excluding adjustment for biological assets), divided by total assets excluding cash and fair value adjustment on biological assets (average of opening and closing balance). ROA is an appropriate measure for asset intensive industries which reinforces the need to invest capital on projects with a superior return.

## 25. Share-based payment (continued)

### (b) Performance rights granted

Set out below is a summary of performance rights granted under the LTI plan.

| 2018 | Performance Period | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Grant Date | From | To | Balance at Start of Year | Other[i] | Granted During Year | Forfeited | Vested | Balance at End of Year | FV per Share |
| 25-Nov-15 | 1-Jul-15 | 30-Jun-17 | – | 47,834 | – | (17,698) | – | 30,136 | $4.04 |
| 25-Nov-15 | 1-Jul-15 | 30-Jun-18 | 47,834 | – | – | (15,474) | – | 32,360 | $4.04 |
| 19-Oct-15 | 1-Jul-15 | 30-Jun-17 | – | 60,783 | – | (28,222) | – | 32,561 | $4.01 |
| 19-Oct-15 | 1-Jul-15 | 30-Jun-18 | 60,783 | – | – | (25,819) | – | 34,964 | $4.01 |
| 30-Nov-16 | 1-Jul-16 | 30-Jun-18 | 157,111 | – | – | (46,687) | – | 110,424 | $3.71 |
| 30-Nov-16 | 1-Jul-16 | 30-Jun-19 | 157,111 | – | – | (12,771) | – | 144,340 | $3.71 |
| 30-Nov-17 | 1-Jul-17 | 30-Jun-20 | – | – | 210,429 | – | – | 210,429 | $4.01 |

| 2017 | Performance Period | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Grant Date | From | To | Balance at Start of Year | Other | Granted During Year | Forfeited | Vested | Balance at End of Year | FV per Share |
| 25-Nov-15 | 1-Jul-15 | 30-Jun-17 | 47,834 | – | – | (47,834) | – | – | $4.04 |
| 25-Nov-15 | 1-Jul-15 | 30-Jun-18 | 47,834 | – | – | – | – | 47,834 | $4.04 |
| 19-Oct-15 | 1-Jul-15 | 30-Jun-17 | 60,783 | – | – | (60,783) | – | – | $4.01 |
| 19-Oct-15 | 1-Jul-15 | 30-Jun-18 | 60,783 | – | – | – | – | 60,783 | $4.01 |
| 30-Nov-16 | 1-Jul-16 | 30-Jun-18 | – | – | 157,111 | – | – | 157,111 | $3.71 |
| 30-Nov-16 | 1-Jul-16 | 30-Jun-19 | – | – | 157,111 | – | – | 157,111 | $3.71 |

(i) Amounts incorrectly shown as forfeited in the 2017 Report

### (c) Fair value of performance rights granted

For the performance rights granted during the current financial year, the fair values were measured at the grant date of 30 November 2017 for those granted to the Chief Executive Officer and to management.

The fair value of the performance rights granted under the Plan was calculated using the Black-Scholes option pricing methodology. The fair value of these performance rights do not take into account the EPS and ROA hurdles being met, as they are non-market related vesting conditions.

The following were the key assumptions used in determining the valuation:

| | Chief Executive Officer | Senior Management |
|---|---|---|
| Share price at grant date | $4.32 | $4.32 |
| Dividend yield (per annum effective) | 2.5% | 2.5% |
| Risk free discount rate (per annum) | 2.63% | 2.63% |
| Expected price volatility | 28.5% | 28.5% |
| Term of performance right | 1-3 years | 1-3 years |
| Fair value of performance right | $4.01 | $4.01 |

The expense recognised in relation to performance rights applicable to the Chief Executive Officer and management for the year ended 30 June 2018 is $829,613 (2017: $289,032).

## 25. Share-based payment (continued)

### Recognition and measurement

The Consolidated Group provides benefits to the Chief Executive Officer and certain management in the form of share-based payment, whereby services are rendered in exchange for rights over shares (performance rights). These benefits are provided as part of the Consolidated Group's long-term incentive plan.

The fair value of the performance rights is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights granted, which includes any market performance conditions and the impact of any non-vesting conditions, but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to vest.

The total expense is recognised over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At the end of each reporting period, the Consolidated Group revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions. The impact of the revision to original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

## 26. Related party transactions

### Identity of related parties

The following persons and entities are regarded as related parties:

**(a) Controlled entities:**

Refer to note 30 for details of equity interests in entities controlled by Huon Aquaculture Group Limited.

**(b) Key Management Personnel:**

Directors and other Key Management Personnel (KMP) also include close members of the families of Directors and other KMP.

In determining the disclosures noted below, the KMP have made appropriate enquiries to the best of their ability and the information presented reflects their knowledge.

All transactions entered into during the year were on normal commercial terms and conditions no more favourable than those if the entity was dealing with an unrelated party at on an arm's length basis.

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| (i) Compensation of KMP | | |
| Details of KMP compensation are disclosed in the Remuneration Report and in note 24 to the financial statements. | | |
| (ii) Compensation of close family members | | |
| Other transactions | | |
| Short-term employee benefits | 284,570 | 240,529 |
| Superannuation Contributions | | |
| Contributions to superannuation funds on behalf of employees | 24,355 | 21,051 |
| (iii) Dividend revenue | | |
| Key Management Personnel | – | – |
| (iv) 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: | | |
| Land, Buildings and Property, Plant and Equipment | | – |
| Leases of assets | 537,000 | 356,236 |
| | 537,000 | 356,236 |
| (v) Outstanding balances arising from sales/purchases of goods and services | | |
| Current Payables: | | |
| Entities controlled by close family members | 204,036 | 31,540 |
| Entities controlled by key management personnel | – | – |
| | 204,036 | 31,540 |

**(c) Investments**

(i) Purchase (sales) of goods and services

The Consolidated Group entered into transactions with Salmon Enterprises of Tasmania Pty Ltd for the supply of smolt (juvenile salmon) and the sale of other goods and services. These transactions were conducted on normal commercial terms and conditions.

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Salmon Enterprises of Tasmania Pty Ltd | 1,719,355 | 1,404,915 |

(ii) Financial guarantee contract

During the 2012 financial year the Consolidated Group became party to a $7.02 million facility that Salmon Enterprises of Tasmania Pty Ltd entered into with BankWest through a financial guarantee contract. The facility was amended during the 2018 financial year. The Consolidated Group's guarantee is for $0.98 million.

## 27. Remuneration of auditors

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

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| **(a) PricewaterhouseCoopers Australia** | | |
| (i) Audit and other assurance services | | |
| Audit and review of financial statements | 200,000 | 240,000 |
| Other assurance services – audit of grant acquittal | – | – |
| Total remuneration for audit and other assurance services | 200,000 | 240,000 |
| (ii) Taxation & other advisory services | | |
| Taxation & other advisory services | 40,800 | 96,900 |
| Other advisory services | 7,800 | 3,000 |
| Total remuneration for taxation and other advisory services | 48,600 | 99,900 |
| **Total remuneration of PricewaterhouseCoopers Australia** | **248,600** | **339,900** |
| **(b) Non PricewaterhouseCoopers firms** | | |
| (i) Audit and other assurance services | | |
| Other assurance services | 81,073 | 28,589 |
| Total remuneration for audit and other assurance services | 81,073 | 28,589 |
| (ii) Taxation services | | |
| Taxation advisory services | 567,309 | 20,085 |
| Total remuneration for taxation services | 567,309 | 20,085 |
| (iii) Other services | | |
| Legal services | – | – |
| Total remuneration for other services | – | – |
| **Total remuneration of non-PricewaterhouseCoopers firms** | **648,382** | **48,674** |

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

## 28. Goodwill

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **Gross carrying amount** | | |
| Balance at the beginning of financial year | 4,496 | 4,496 |
| Additions | – | – |
| Balance at the end of financial year | **4,496** | **4,496** |
| **Accumulated impairment losses** | | |
| Balance at the beginning of financial year | (1,601) | (1,601) |
| Impairment losses for the year | – | – |
| Balance at the end of financial year | **(1,601)** | **(1,601)** |
| **Net book value** | | |
| Balance at the beginning of financial year | 2,895 | 2,895 |
| Balance at the end of financial year | **2,895** | **2,895** |

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

### Recognition and measurement

#### Goodwill

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

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

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

## 28. Goodwill (continued)

### Impairment tests for goodwill

All goodwill relates to the domestic operating segment and is tested annually for impairment using a value-in-use calculation.

The calculation uses cash flow projections based on financial budgets approved by the Board, over a 5 year period, before any fair value adjustments of biological assets.

The Directors and management have considered and assessed reasonably possible changes in key assumptions and have not identified any instances that could cause the carrying amount of the Domestic operating segment to exceed its recoverable amount.

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

| | |
|---|---|
| Quantity | Projections in line with, but below the expected industry growth rate of 10%. |
| Price | In line with the last quarter of FY2018, but below current market prices. |
| Production costs | Projections of conservative cost savings and recognising efficiencies post the Controlled Growth Strategy implementation. |
| Annual Capital Expenditure | Capital spend requirements estimated to meet growth projections. |
| Long-term growth rate | This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports. |
| Pre-tax discount rates | Discount rates represent the current market assessment of the risks relating to the relevant segment. |
| | In performing the value-in-use calculations for each cash-generating unit, the Consolidated Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed in the table below. The movement in the pre-tax discount rates between 2017 and 2018 reflect changes in the anticipated timing of future cash flows. |

| | 2018 | 2017 |
|---|---|---|
| Long-term growth rate | 3.0% | 3.0% |
| Pre-tax discount rate | 14.4% | 14.6% |

### Impairment of assets

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

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

### Critical accounting estimates

The Consolidated Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions regarding gross margins growth rates and discount rates applicable to each CGU.

## 29. Other Intangible Assets

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **Gross carrying amount** | | |
| Balance at the beginning of financial year | 100 | 100 |
| Additions | – | – |
| Balance at the end of financial year | **100** | **100** |
| **Accumulated impairment losses** | | |
| Balance at the beginning of financial year | – | – |
| Impairment losses for the year | – | – |
| Balance at the end of financial year | **–** | **–** |
| **Net book value** | | |
| Balance at the beginning of financial year | 100 | 100 |
| Balance at the end of financial year | **100** | **100** |

Other intangible assets relate to hatchery establishment costs and trademarks.

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

Refer to note 28 for impairment tests for other intangible assets.

## 30. Interests in subsidiaries

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

| | | | Ownership interest held by the Consolidated Group | |
|---|---|---|---|---|
| **Name of subsidiary** | **Principal place of business** | **Note** | **2018 %** | **2017 %** |
| Huon Aquaculture Company Pty Ltd | 961 Esperance Coast Road, Dover, TAS, 7117 | | 100% | 100% |
| Springs Smoked Seafoods Pty Ltd | 961 Esperance Coast Road, Dover, TAS, 7117 | (i) | 100% | 100% |
| Springfield Hatcheries Pty Ltd | 32-36 Headquarters Road, South Springfield, TAS, 7260 | (i) | 100% | 100% |
| Huon Ocean Trout Pty Ltd | 961 Esperance Coast Road, Dover, TAS, 7117 | (i) | 100% | 100% |
| Huon Shellfish Co Pty Ltd | 961 Esperance Coast Road, Dover, TAS, 7117 | (i) | 100% | 100% |
| Huon Salmon Pty Ltd | 961 Esperance Coast Road, Dover, TAS, 7117 | (i) | 100% | 100% |
| Huon Smoked Seafoods Pty Ltd | 961 Esperance Coast Road, Dover, TAS, 7117 | (i) | 100% | 100% |
| Huon Smoked Salmon Pty Ltd | 961 Esperance Coast Road, Dover, TAS, 7117 | (i) | 100% | 100% |
| Huon Seafoods Pty Ltd | 961 Esperance Coast Road, Dover, TAS, 7117 | (i) | 100% | 100% |
| Huon Tasmanian Salmon Pty Ltd | 961 Esperance Coast Road, Dover, TAS, 7117 | (i) | 100% | 100% |
| Springs Smoked Salmon Pty Ltd | 961 Esperance Coast Road, Dover, TAS, 7117 | (i) | 100% | 100% |
| Southern Ocean Trout Pty Ltd | 2 Esplanade, Strahan, TAS, 7468 | (i) | 100% | 100% |
| Morrison's Seafood Pty Ltd | 2 Esplanade, Strahan, TAS, 7468 | (i) | 100% | 100% |
| Meadowbank Hatchery Pty Ltd | 2 Esplanade, Strahan, TAS, 7468 | (i) | 100% | 100% |

### Significant restrictions

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

The wholly-owned subsidiaries above are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of financial reports. Refer to note 22 for further details.

(i) Subsidiary became a party to the deed of cross guarantee on 28 June 2016.

## 31. Other Financial Liabilities

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Derivatives carried at fair value | | |
| Foreign currency forward contracts | – | 679 |
| | **–** | **679** |

Refer to note 19 for fair value measurement and hierarchy.

## 32. Provisions

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **Provisions** | | |
| Current | | |
| Employee benefits | 6,572 | 5,665 |
| Non-current | | |
| Employee benefits | 1,358 | 1,161 |
| | **7,930** | **6,826** |

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

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the annual leave provision of $4,820 (2017: $4,122) is presented as current, since the Consolidated Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Consolidated Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| Leave obligations expected to be settled after 12 months | 5,285 | 4,648 |

### Recognition and measurement

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

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

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

**Employee Benefits**

Short-term employee benefits

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

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

Other long-term employee benefits

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

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

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

## 33. Other liabilities

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| **Deferred government grants** | | |
| Current | 464 | 464 |
| Non-Current | 2,424 | 2,887 |
| | **2,888** | **3,351** |

During the 2015 financial year government grants of $5,000,000 were received relating to the Parramatta Creek Smokehouse and Product Innovation Centre. The nature of the grants related to both income and to assets. During the financial year $463,000 (2017: $463,000) was recognised in the income statement. Future compliance with certain conditions relating to jobs creation could impact $1,237,000 of the deferred government grants amount.

## 34. Contingent liabilities and contingent assets

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

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

| | Note | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|---|
| **Revenue from the sale of goods** | | | |
| Domestic market | | 258,842 | 243,751 |
| Export market | | 59,054 | 15,742 |
| Total revenue from the sale of goods | 1(a) | **317,896** | **259,493** |
| **Results from segment activities** | | | |
| Domestic market | | 75,316 | 64,793 |
| Export market | | 6,824 | 3,248 |
| Total results from segment activities | | **82,140** | **68,041** |
| Unallocated | | (1,064) | (21) |
| Interest income | | 356 | 157 |
| Other income | | 10,391 | 13,742 |
| Fair value adjustment of biological assets | | (12,867) | 19,178 |
| Depreciation and amortisation expense | | (24,455) | (22,665) |
| Finance costs | | (3,659) | (3,609) |
| Other expenses | | (20,296) | (18,331) |
| **Profit before income tax expense** | | **30,546** | **56,492** |

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 Consolidated 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.

## 36. Subsequent events

On 15 August 2018 the Directors of the Company recommended the payment of a final ordinary dividend of $4.4m (5 cents per fully paid share) to be paid on 11 October 2018 out of ordinary retained earnings at 30 June 2018. The Dividend will be 50% franked. The dividend has not provided for in the 30 June 2018 financial statements.

## 37. 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

# Directors' Declaration

## In the directors' opinion;

(a) The financial statements and notes set out on pages 47 to 94 are in accordance with the *Corporations Act 2001* including:

a. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

b. Giving a true and fair view of the Consolidated Group's financial position as at 30 June 2018 and of its performance for the financial 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; and

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 30 will be able to meet any obligations or liabilities to which they are, or may become subject by virtue of the deed to cross guarantee described in note 22.

The Basis of Preparation note in the notes to the financial statements confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer, deputy chief executive officer and the chief financial officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors

**Neil Kearney**
Chairman
15 August 2018

**Peter Bender**
Managing Director and CEO
15 August 2018

# *Independent auditor's report*

To the members of Huon Aquaculture Group Limited

## *Report on the audit of the financial report*

### *Our opinion*

In our opinion:

The accompanying financial report of Huon Aquaculture Group Limited (the Company) and its controlled entities (together the Consolidated Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Consolidated Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***What we have audited***

The Consolidated Group financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies
- the directors' declaration.

### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

***Independence***

We are independent of the Consolidated Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

***PricewaterhouseCoopers, ABN 52 780 433 757***
*2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001*
*T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au*

## *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Consolidated Group, its accounting processes and controls and the industry in which it operates.

The Consolidated Group is a vertically integrated salmon producer whose operations span all aspects of the supply chain, from hatcheries and marine farming to harvesting and processing, as well as sales and marketing.


| *Materiality* | *Audit scope* |
|---|---|
| • For the purpose of our audit we used overall Consolidated Group materiality of $1,150,000, which represents approximately 2.5% of the earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for the fair value adjustment for biological assets and averaged for the current and two previous financial years. The depreciation and amortisation was calculated as outlined in note 2(b) to the financial report.<br>• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.<br>• We chose EBITDA prior to any fair value adjustment for biological assets because, in our view, it is the metric against which the performance of the Consolidated Group is most commonly measured. An average was used due to fluctuations in EBITDA from year to year caused | • Our audit focused on where the Consolidated Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.<br>• The Consolidated Group's accounting processes are performed by a central finance function at the corporate head office in Hobart, where we predominately performed our audit procedures. |

by a number of factors, which include (but are not limited to) environmental conditions and domestic and export pricing and demand.

- We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

## *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

| ***Key audit matter*** | ***How our audit addressed the key audit matter*** |
|---|---|
| ***Fair value of biological assets***<br>*(refer to note 3)*<br><br>The Consolidated Group held biological assets of $169 million at 30 June 2018. The biological assets include broodstock, eggs, juveniles, smolt and live finfish.<br><br>Australian Accounting Standards require biological assets to be measured at fair value less costs to sell or, in the absence of a fair value, at cost less impairment.<br><br>The Consolidated Group has valued each of the biological assets. We considered the valuation of live finfish above 1kg to be a key audit matter due to the significant judgement involved in estimating:<br><br>The total weight of live finfish at sea (based on number of fish and weight); | Our audit procedures in relation to the Consolidated Group's fair value calculation of live finfish above 1kg, included:<br><br>• Considering the valuation methodology against the relevant Australian Accounting Standard<br>• Testing the mathematical accuracy of the calculations<br>• Assessing the historical accuracy of forecasting and estimation by comparing prior year estimate to actual performance<br><br>Our audit procedures over specific valuation inputs included:<br><br>*Number of live finfish at sea*<br><br>• We performed a reconciliation of the number of live finfish by obtaining the opening balance and comparing the known movements (fish intakes, harvest and mortalities for the year) to supporting documentation on a sample basis in order to |

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| Expected mortalities of finfish prior to harvesting;<br><br>Selling price per HOG/kg; and<br><br>Costs to sell of HOG/kg<br><br>The Consolidated Group considered the estimated harvest kgs of finfish based on historical data, growth rates, and mortality rates. The selling price per HOG/kg has been based on observable market prices (when available), achieved prices and estimated future prices for finfish. The costs to sell of HOG/kg has been based on selling costs (harvesting, processing and freight). | assess the reasonableness of the number of live finfish at year end.<br><br>We assessed the year end fish loss adjustment by comparing it to the actual fish loss data recorded on the close out of pens that were harvested post year end.<br><br>*Weight of live finfish at sea*<br><br>• We assessed the weight assumption based on actual weights of finfish harvested subsequent to the year end and bath weight data recorded during the year (independently of the finance function).<br>• We assessed the sensitivity of the calculations to changes in the Consolidated Group's estimate of weight by applying other values within a reasonably possible range.<br><br>*Expected mortalities of finfish*<br><br>• We assessed the expected mortalities input by comparing it to the actual mortality rates recorded by the Consolidated Group over the year and subsequent to year end.<br><br>*Selling price per HOG/kg*<br><br>• We agreed the historical domestic and export selling prices to actual selling prices achieved by reference to invoices to customers and relevant sales contracts, on a sample basis.<br>• We compared estimated future selling prices to available pricing information in the market (competitor information, overseas fish prices in the market) and any known price changes formally communicated to customers.<br>• We considered the domestic/export sales channel mix based on the mix in the current year taking into account any known agreements or market conditions expected to impact the export market. |

pwc

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| | • We assessed the sensitivity of the calculations to changes in the Consolidated Group's estimate of selling price by applying other values within a reasonably possible range.<br><br>*Costs to sell of HOG/kg*<br><br>We compared the estimated costs to sell to the actual costs incurred in the year taking into account any known changes to such costs in the future. |

## *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including Highlights, the Chairman's Message, Managing Director's Review, Managing Risk, Financial Summary, Company and Industry Overview, Board of Directors, Directors' Report, Corporate Governance Statement, Shareholder Information, Glossary of Terms and Corporate Directory, but does not include the financial report and our auditor's report thereon.

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

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

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

## *Responsibilities of the directors for the financial report*

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

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

## *Auditor's responsibilities for the audit of the financial report*

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

# *Report on the remuneration report*

## *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 25 to 37 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Huon Aquaculture Group Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

## *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Daniel Rosenberg
Partner

Melbourne
15 August 2018

# Shareholder information

The shareholder information set out below was applicable as at 24 August 2018.

## Voting rights

The voting rights attaching to ordinary shares fully paid 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.

## Substantial shareholders

Substantial shareholders in the Company pursuant to notices lodged with the ASX in accordance with section 671B of the Corporations Act:

| Ordinary shares | Number of shares | %IC |
|---|---|---|
| PETER JAMES BENDER | 13,098,477 | 15.00% |
| FRANCES ROBYN BENDER (spouse of Peter Bender) | 5,794 | 0.01% |
| SURVEYORS INVESTMENTS PTY LTD ACN 602 004 179 | 44,527,252 | 50.98% |
| MR PETER BENDER & MRS FRANCES BENDER <PJ & FR BENDER FAMILY A/C> | 60,000 | 0.07% |
| P & F BENDER SUPER PTY LTD <P & F BENDER S/F A/C> | 22,000 | 0.03% |
| IOOF Holdings Limited | 7,426,136 | 8.50% |
| Total | 65,139,659 | 74.58% |
| Balance of register | 22,197,548 | 25.42% |
| **Grand total** | **87,337,207** | **100.00%** |

## Distribution of securities

| Range | No. of Holders | Securities | % |
|---|---|---|---|
| 100,001 and Over | 12 | 81,671,355 | 93.51% |
| 10,001 to 100,000 | 106 | 2,330,291 | 2.67% |
| 5,001 to 10,000 | 160 | 1,230,294 | 1.41% |
| 1,001 to 5,000 | 650 | 1,638,069 | 1.88% |
| 1 to 1,000 | 1,163 | 467,198 | 0.53% |
| **Total** | **2,091** | **87,337,207** | **100.00%** |

The number of holders of less than a marketable parcel of ordinary shares, equivalent to 111 ordinary shares, was 98 and they held 4,518 shares (based on a market price of $4.49 at the close of trading on 24 August 2018).

## Top 20 largest shareholders

| Rank | Name | 24 Aug 2018 | %IC |
|---|---|---|---|
| 1 | SURVEYORS INVESTMENTS PTY LTD ACN 602 004 179 | 44,527,252 | 50.98% |
| 2 | PETER JAMES BENDER | 13,098,477 | 15.00% |
| 3 | CITICORP NOMINEES PTY LIMITED | 7,801,799 | 8.93% |
| 4 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 6,049,040 | 6.93% |
| 5 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 3,125,163 | 3.58% |
| 6 | UBS NOMINEES PTY LTD | 2,229,520 | 2.55% |
| 7 | NATIONAL NOMINEES LIMITED | 1,893,258 | 2.17% |
| 8 | BNP PARIBAS NOMS PTY LTD <DRP> | 1,053,164 | 1.21% |
| 9 | BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C> | 825,609 | 0.95% |
| 10 | CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C> | 685,091 | 0.78% |
| 11 | NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT> | 211,620 | 0.24% |
| 12 | BOND STREET CUSTODIANS LTD <MACQUARIE SMALLER CO'S A/C> | 171,362 | 0.20% |
| 13 | WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C> | 70,723 | 0.08% |
| 14 | MR MICHAEL GREGORY PETERSON & MS SAMANTHA ANNE WAKE <HAMMER FUND A/C> | 69,200 | 0.08% |
| 15 | EST ALEC HERBERT PURVES | 61,022 | 0.07% |
| 16 | MR PETER BENDER & MRS FRANCES BENDER <PJ & FR BENDER FAMILY A/C> | 60,000 | 0.07% |
| 17 | WALLBAY PTY LTD <ABELL UNIT ACCOUNT> | 55,000 | 0.06% |
| 18 | AVANTEOS INVESTMENTS LIMITED <BIDDLECOMBE PTY LTD A/C> | 50,000 | 0.06% |
| 19 | JOHNSTON 888 PTY LTD <ROBERT G R JOHNSTON S/F A/C> | 50,000 | 0.06% |
| 20 | MATRAVILLE INVESTMENT CO PTY LIMITED | 50,000 | 0.06% |
| Total | | 82,137,300 | 94.05% |
| Balance of register | | 5,199,907 | 5.95% |
| **Grand total** | | **87,337,207** | **100.00%** |

## Restricted equity securities

There are no equity securities subject to restriction.

## Unquoted equity securities

There are no unquoted equity securities on issue.

## On market buy-back

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

## Managing shareholding online

Shareholders are able to manage their shareholdings online through the Link Investor Centre which is available on the Investor section of the Huon website, http://investors.huonaqua.com.au/investors/?page=My-Shareholding.

The Link Investor Centre can be contacted on 1300 554 474 or registrars@linkmarketservices.com.au.

# Glossary of Terms

| | |
|---|---|
| **$** | Australian dollars |
| **AASB** | Australian Accounting Standards Board |
| **AASBs or Australian Accounting Standards or Accounting Standards** | Australian Accounting Standards |
| **AASB141** | Relates to the fair value adjustment of biological assets required by AASB 141 |
| **ABS** | Australian Bureau of Statistics |
| **AGD** | Amoebic Gill Disease, a fish disease that compromises gill function |
| **ASIC** | Australian Securities and Investments Commission |
| **ASX** | ASX Limited (ABN 98 008 624 691) and, where the context requires, the Australian Securities Exchange operated by ASX Limited |
| **Atlantic salmon or salmon** | A fish in the family Salmonidae, which is typically found in the northern Atlantic Ocean and in rivers that flow into the north Atlantic |
| **Bender Family** | Peter Bender and Frances Bender, the founders of Huon and (as applicable) Surveyors Investments Pty Ltd (an entity controlled by Peter and Frances Bender) |
| **Biological assets** | Farm animals that are classified as assets which, according to International Accounting Standards, must be recorded on balance sheets at their market value. Once the assets have either been slaughtered or harvested, then the assets will become agricultural produce |
| **Bonus Plan** | A component of the LTI plan whereby the Board may determine to offer KMP LTI plan performance rights in lieu of a bonus where the Employee agrees to contractually forgo part of their future pre-tax bonus. |
| **British Retail Consortium (BRC)** | BRC Global Standard A leading safety and quality certification program |
| **Broodstock** | A group of mature fish used in aquaculture for breeding purposes |
| **CAGR** | Compound annual growth rate |
| **CBA** | Commonwealth Bank of Australia |
| **Constitution** | The constitution of the Company |
| **Control event refers to:** | (a) A Court orders a meeting to be convened in relation to a proposed compromise or arrangement for the purposes of, or in connection with:<br>a. a scheme which would, if it becomes effective, result in any person (either alone or together with its related bodies corporate) owning all of the shares in the Company; or<br>b. a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;<br>(b) members of the Company approve any compromise or arrangement referred to in paragraph (a);<br>(c) any person becomes bound or entitled to acquire shares in the Company under:<br>a. any compromise or arrangement referred to in paragraph (a) which has been approved by the Court;<br>b. section 414 of the Corporations Act; or<br>c. Part 6A.1 or Part 6A.2 of the Corporations Act;<br>(d) a resolution is proposed to be put to shareholders proposing a voluntary winding up; or<br>(e) an order is sought for the compulsory winding up of the Company. |
| **Controlled Growth Strategy** | The strategy under which Huon planned to roll out a number of strategic capital projects across its operations which are intended to expand production, increase efficiency and maintain the consistency and high quality of fish produced |
| **Corporations Act** | *Corporations Act 2001* (Cth) |
| **DPIPWE** | Tasmanian Department of Primary Industries, Parks, Water and Environment |
| **EBIT** | Earnings before interest and tax. This is a non-IFRS measure |
| **EBITDA** | Earnings before interest, tax, depreciation and amortisation. This is a non-IFRS measure |
| **FAO** | Food and Agriculture Organization is specialised agency of the United Nations |

| | |
|---|---|
| **Fortress Pens** | Fish pens which have been designed by Huon in order to be predator resistant and incorporate a patented stanchion design |
| **GLOBALG.A.P.** | Non-governmental organisation that sets voluntary standards for the certification of agricultural products around the globe |
| **GSI** | Global Salmon Initiative, a leadership initiative by global farmed salmon producers focused on making significant progress towards a shared goal of providing a highly sustainable source of healthy protein to feed a growing global population, whilst minimising the environmental footprint and continuing to improve our social contribution |
| **GST** | Goods and services tax |
| **Hatchery** | A facility where eggs are hatched under artificial conditions |
| **HOG** | Head-on gutted fish |
| **Huon or the Company or the Consolidated Group** | Huon Aquaculture Group Limited (ACN 114 456 781) and its subsidiaries as the context requires |
| **Huon Method** | Huon's unique method of farming salmon which places the welfare of fish at the centre of operations and ensures salmon are provided an environment which mimics their natural habitat and are raised i) stress free; ii) well nourished; iii) clean and healthy; and iv) responsibly |
| **Husbandry** | The care, cultivation and breeding of crops and animals |
| **IASB** | International Accounting Standards Board |
| **IFRSs** | International Financial Reporting Standards |
| **Listing** | Admission to the official list of the ASX, 23 October 2014 |
| **NPAT** | Net profit after tax |
| **OECD** | Organisation for Economic Co-operation and Development |
| **Operating EBITDA** | Operating EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation exclusive of the fair value adjustment of biological assets. |
| **Performance Right** | Performance Right means a right to acquire one Share in the capital of the Company in accordance with Plan Rules and an Invitation |
| **Plan** | Plan refers to the Huon Aquaculture Group Ltd Long Term Incentive Plan and Bonus Plan as set out in the Plan Rules |
| **POMV** | Pilchard Orthomyxovirus |
| **PwC** | PricewaterhouseCoopers |
| **R&D** | Research and development |
| **Rabobank** | Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. |
| **Related Body Corporate** | Has the meaning given by section 50 of the Corporations Act |
| **Rules** | Rules refer to the terms and conditions of the Plan |
| **Salmonids** | Collective name for all salmon fish species, including trout |
| **Smolt** | A young salmon |
| **Sustainability Dashboard** | A dashboard on Huon's website which provides information concerning Huon's salmon farming practices, management of the welfare of its fish and the impact on the environment |
| **TPD** | Total permanent disability |
| **TPDNO** | Total Permissible Dissolved Nitrogen Output |
| **TSGA** | Tasmanian Salmonid Growers' Association, Tasmania's peak body representing salmon growers throughout Tasmania |
| **Value added products** | Raw fish which undergo processing in order to be turned into other products such as skin-on or skin-off fillets, portions, cutlets, smoked products, pate or caviar |
| **WFE** | Whole fish equivalent |
| **Year Class** | The calendar year in which the smolt (salmon) or fingerling (trout) enters the sea for on-growing |

# Corporate Directory

## Directors

- Neil Kearney, Chairman
- Peter Bender, Managing Director and CEO
- Frances Bender, Executive Director
- Tony Dynon, Non-executive Director
- Simon Lester, Non-executive Director

## Senior Executives

- Peter Bender, Managing Director and CEO
- Frances Bender, Executive Director
- Philip Wiese, Deputy CEO
- Thomas Haselgrove, CFO
- David Morehead, General Manager Marine Operations
- Charles Hughes, General Manager Commercial and Planning
- David Mitchell, General Manager Freshwater Operations

## Company Secretary

- Thomas Haselgrove

## Registered Office

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

+61 3 6295 4200
huonaqua@huonaqua.com.au
www.huonaqua.com.au

## Principal Place of Business

Huon Aquaculture Group Limited
961 Esperance Coast Road
Dover TAS 7109

## Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006

## Bankers

Commonwealth Bank of Australia
Level 20, Tower One
Collins Square, 727 Collins Street
Melbourne VIC 3008

Rabobank
Darling Park Tower 3
Level 13, 201 Sussex Street
Sydney NSW 2000

## Stock Exchange Listing

Huon Aquaculture Group Limited is listed on the Australian Securities Exchange (ASX)

The Home Exchange is Melbourne, Victoria

ASX Code: HUO

## Share Registry

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000

Huon Ocean Trout,
Salmon and
Yellowtail Kingfish

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HUON AQUACULTURE

www.huonaqua.com.au

Huon Aquaculture Group Limited