MANAGING SUSTAINABLE GROWTH

HUON TASMANIA

HUON AQUACULTURE GROUP LIMITED

ANNUAL REPORT 2016

HUON IS A VERTICALLY INTEGRATED AUSTRALIAN AQUACULTURE COMPANY.

ACTIVE RISK MANAGEMENT, TOGETHER WITH A COMMITMENT TO SHAREHOLDER VALUE WILL DRIVE SUSTAINABLE LONG-TERM GROWTH.

Contents

Annual General Meeting

The 2016 Annual General Meeting of Huon Aquaculture Group Limited will be held at The Henry Jones Art Hotel 25 Hunter St, Hobart, November 30, 2016.

WE PROUDLY PRODUCE THE WORLD'S MOST LOVED TASMANIAN SALMON

CHAIRMAN'S MESSAGE

– Actively managing risk
– Delivering on our commitment to invest in the business
– Driving sustainable, long term growth

Since listing on the ASX in 2014, Huon Aquaculture Group Limited (Huon) has been implementing a program of transformational change, with the dual objectives of securing our long-term sustainable profitability and of actively managing risk.

Peter Margin
Chairman

Business Performance

In late 2015/early 2016 we experienced one of the most severe El Niño events on record. Huon was well prepared, having taken the decision to bring forward the salmon harvest to avoid the negative impacts on fish health and growth that arise from leaving large salmon in rapidly warming waters. This adversely impacted Huon's profitability for the 2016 Financial Year (FY2016) but was necessary in order to provide a solid platform for the future – one that is underpinned by an unrelenting focus on fish husbandry, product quality and a robust risk management framework.

Creating a safer working environment for our people makes safety the top priority at all our sites. The "Safety First" culture at Huon has been pivotal in achieving a significant improvement in our safety record over the past year. During that time the Lost Time Injury Frequency Rate (LTIFR) fell by 74% from 27 to 7.

As we look ahead, both Board and Management are very confident that the Company is well placed to improve its profitability this year and beyond. Over the past three years we have significantly strengthened the business through a major capital expenditure programme and in 2016 the market fundamentals for salmon sales globally have moved from one of over to under supply for the first time in many years.

Huon recorded strong sales revenue for FY2016 of 233.74 million, up 22% on the previous comparable period (pcp). However Operating EBITDA reduced from $40.45 million to $26.45 million. The Company recorded a statutory net profit after tax of $3.43 million, a decline from the $16.60 million profit reported for the pcp.

While the accelerated harvest program resulted in a record increase in annual revenue, the increased tonnages of fish that had to be sold into the market in the first half of FY2016 created downward pressure on average pricing. This was accentuated by the fact that the majority of this additional stock was sold through the lower margin export market which, together with increased costs associated with freight, adversely impacted margins.

The fair value adjustment of biological assets declined by $1.50 million as a result of reduced fish biomass, but reflects the improved pricing conditions and channel mix.

Importantly, during FY2016 the Company continued to invest in its capital assets as part of its Controlled Growth Strategy (CGS) including a state of the art hatchery at Forest Home (Judbury, Tasmania), patented seal proof pens, feed barges and mooring systems. This recognises that operational efficiency, along with product quality and security, will be the key drivers of this Company's future competitive advantage.

The balance sheet remains strong at the end of FY2016 and while gearing increased due to the implementation of the CGS and associated capital expenditure commitments, it remains comfortable at 24.8% (net debt/net assets).

Strategy

The strategic focus for Huon during the past two years has been the implementation of the CGS. I am pleased to report this had been completed by the end of FY2016 and is expected to improve efficiency, reduce earnings volatility and lower the Company's risk profile over time.

The CGS improves and strengthens each stage of our production process including our ability to respond quickly to extreme weather events and other risks. The full benefits of our CGS investment should accrue from FY2018.

Earlier this year our Managing Director Peter Bender delivered an investor presentation entitled *'Making Your Own Luck'*. As Peter noted, chance does not drive success in the aquaculture business. Huon is 'making its own luck' by getting the production basics right and creating opportunities through technical and market innovation, including strategic geographical and species diversification.

The Huon three pillar business strategy		
Growing the market	Growing production and operational efficiency	Growing safety and sustainability

The Asia Pacific region is a market that offers considerable potential for our products, particularly now that there is a world-wide shortage of supply and Australia has a competitive advantage in terms of its geographic location. We will continue to take advantage of the growing demand for high quality fish products from China and other Asian economies. Concurrently, management is investigating opportunities for diversification into other fish species such as Kingfish.

Both of these initiatives are consistent with Huon's stated objectives of producing sustainable earnings growth with reduced year-on-year fluctuation.

The Company is well-placed to take advantage of rising demand for high quality salmon products, estimated to be around 5-7% p.a. globally if the market wasn't supply constrained. The Australian salmon market is predicted to grow at around 10% p.a. over the next five years.

In summary, the Company's business strategy continues to be supported by three pillars:

- Grow the market through increased consumption, better channel mix and enhancement of sales and brand value;
- Build production and enhance operational efficiency as a result of investment made via the CGS program and marine lease optimisation; and
- Safely and sustainably developing our people, including the universal adoption of the Company's Safety First program and the adoption of a culture of continuous improvement.

Capital Management

The challenging operating environment experienced over the past year combined with our commitment to complete the final stage of implementation of the CGS has required increased focus on retaining cash within the business. As a result the Board has determined not to declare a dividend for FY2016.

Outlook and Strategic Focus

The Board is confident that the successful implementation of the CGS program, on time and on budget, has enhanced Huon's competitive position and placed the Company on a surer footing both to execute its business strategy and to continually improve its environmental performance.

International prices rose sharply through the first half of calendar 2016 as the available supply of high quality salmon products fell short of the steady growth in demand. While Huon's FY2017 profitability will benefit significantly from this improvement in pricing, the impact of El Niño will continue to be felt through the business until the 2015 Year Class concludes harvest in early calendar 2017. We anticipate further growth in profit in FY2018, the first year in which Huon's production will reflect a full cycle, from egg to harvest, on the platform created by the CGS.

Longer term Huon is pursuing initiatives to take maximum advantage of the growing demand for salmon, including increasing our retail presence and continuing to focus on our key wholesale markets and product innovation to increase market share domestically.

Conclusion

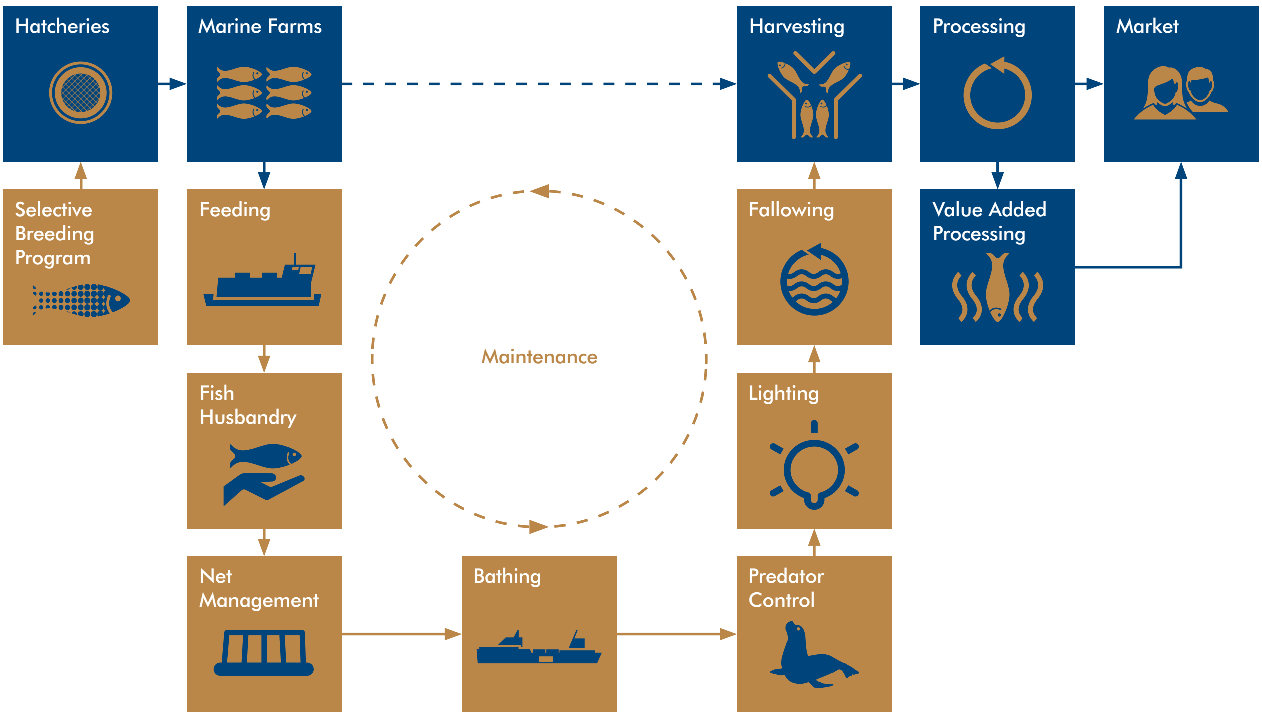
I have been privileged to lead the Board in the first two years as a listed company and I acknowledge my fellow Directors for the extensive business and financial management skills that they have brought to all our deliberations during that time.

On 30 August 2016 I will retire from the Huon Board to take up a full-time Executive Chairman role at a regional beverage company. Neil Kearney, who has served on the Huon Board since listing in 2014, will take over as Chairman. Mr Tony Dynon will fill the casual vacancy created by my retirement, bringing valuable expertise in marketing, stock feed management, finance and strategy to the Board from his senior management roles in the food and beverage sector.

On behalf of the Board I wish to thank our customers, suppliers, employees, local communities and our shareholders for their support. Your Directors are confident that Huon's business strategy is sound and that the Company's approach to risk management, together with a long-term commitment to building sustainable revenue and earnings, can secure the Company's future and reward shareholders' confidence in Huon.

Peter Margin, Chairman

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.



Huon's Controlled Growth Strategy drives innovation and improvement at each stage of the production process, supported by our experienced and highly trained workforce.

SUSTAINABILITY THROUGH INNOVATION

Huon has a reputation for leading innovation across all areas of our operations, supported by a highly skilled workforce. Continued innovation in technology and farming practices strengthens our competitive advantage.

Hatcheries

Hatcheries allow Huon to mimic the natural life cycle of salmon, synchronising batches of salmon to go to sea at different times of the year, enabling the supply of fresh healthy fish all year round. Located throughout Tasmania, they allow Huon to take advantage of different water and environmental conditions and maintain high standards of biosecurity.

The new Huon owned Forest Home hatchery produces larger smolt, meaning less grow out time at sea.

Marine Farms

Huon has been the first salmon producer to roll out 168m and 240m circumference Fortress Pens to all its sites, making a safer, healthier environment for fish and a safer working environment for Huon employees.

Fortress Pens are allowing Huon to move farming to offshore sites such as Storm Bay, where water flow is higher and temperature fluctuations lower.

The pens provide enhanced protection from predators, particularly seals, through a unique design that prevents them from entering the pens and becoming trapped.

Innovative net cleaning technology has been an essential part of the rollout and the pens have won two safety awards.

Feeding

High tech feed barges feed fish more efficiently, using pellet recognition software and a Huon designed spreader, ensuring fish are fed to appetite and substantially reducing waste. The barges carry up to 320 tonnes of feed to feed all pens on a grid at the same time.

Fish Husbandry

Huon's well-boat now conducts all freshwater bathing of salmon, doing away with the need to bathe fish in liners, reducing the stress on the salmon and reducing the impact on nearby communities. Highly efficient, it recycles fresh water and is also used to transport smolt to sea, and fish to harvest.

Processing

The Parramatta Creek processing facility is one of the most advanced in the World, ensuring the fish are as fresh as possible when they go to market.

With the addition of the Product Innovation Centre and Smokehouse, in 2015, the Company is able to achieve new standards in quality in its value added range.

MANAGING SUSTAINABLE ENVIRONMENTS

Huon Aquaculture is building sustainable long term revenues by actively and expertly managing the risks inherent in aquaculture. The Huon Method promotes healthy fish, keeps the impact on the surrounding environment and local communities to a minimum and ensures that the business remains strong.

Agricultural Risk

Reducing the threat of disease

The Huon Method: Careful site management, strong biosecurity and good husbandry practices throughout the salmon lifecycle keeps disease to a minimum. Huon's low stocking densities and offshore pens maintain water quality and allow the fish to thrive and grow more quickly. Freshwater bathing of the fish on site with the well-boat keeps amoebic gill disease (AGD) at bay and reduces fish stress.

Industry Partnerships: Huon maximises salmon growth efficiencies by participating in the Salmon Industry's 'Selective Breeding Program', this delivers reduced bathing, lower feed conversion ratios and improved fish growth due to more resistance to AGD.

Environmental Risk

Managing the business for weather variations and Huon's impact on the surrounding environment and communities

The Huon Method: Carefully managing the harvest schedule in response to environmental conditions minimises the risk to the harvest and ensures earnings are maximised in given market conditions. The move to offshore pens reduces the risk to the local environment and reduces noise and visual impact on local communities. Technologically advanced feed barges deliver feed efficiently and reduce waste.

Wildlife

Reducing interactions with seals and birds

The Huon Method: Fortress Pens substantially reduce the risk to the fish from seals and birds and protect wildlife by preventing them gaining access both above and below the water line. Huon's environmental management team works closely with the Tasmanian Department of Primary Industries, Parks, Water and Environment to monitor and record seal interactions.

Safety Risk

Keeping our people safe is Huon's highest priority

The Huon Method: Huon's dedicated safety team manages and monitors all aspects of employee's safety at work. The Company has elected health and safety representatives at all sites. All staff, including Board members, have undertaken safety culture training. Fortress pens and the well-boat provide a safer working platform.

Market Risk

Staying on top of the competition and consumer preferences

The Huon Method: The cutting edge Parramatta Creek Smokehouse and Product Innovation Centre in Northern Tasmania promotes our retail capability and capacity. New products are targeted at import replacement.

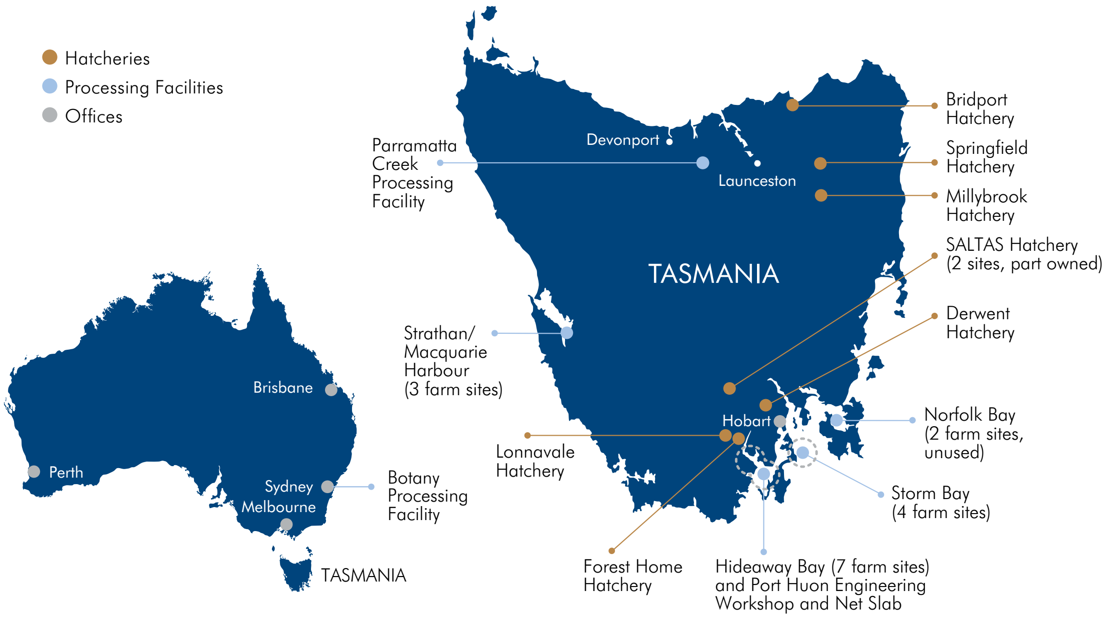
The new Fortress Pens in Hideaway Bay.

STRONGER CURRENTS AND GREATER WATER MOVEMENT PROVIDING MORE OXYGEN RESULTING IN

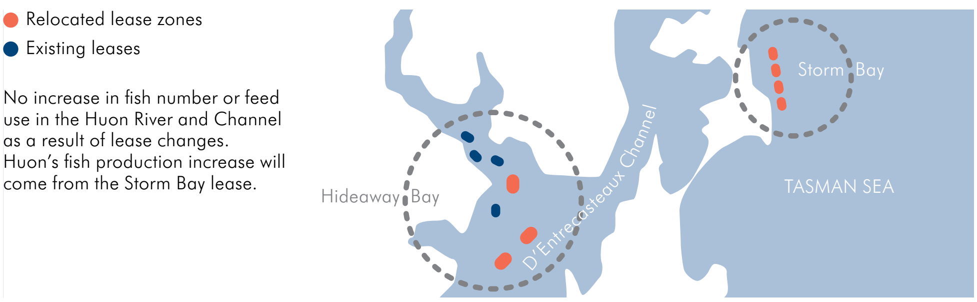
HEALTHIER, BETTER QUALITY FISH AND ENVIRONMENTS

OPERATING IN LOCATIONS WHERE SALMON THRIVE

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.



Sustainable farm lease management



Huon carefully manages lease sites to minimise the environmental impact.

Benefits of deeper off-shore sites

Fish health and welfare: Deeper, higher energy (wave and wind) 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: The changes to the leases place them in more environmentally appropriate locations.

Reduced visual and noise impact on the community: By moving our leases off-shore, they 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, we are future-proofing our farms and improving biosecurity.

LEASE LOCATION CHANGES SUPPORT OUR APPROACH TO ENVIRONMENTAL AND ECONOMIC SUSTAINABILITY

MANAGING DIRECTOR'S REVIEW

– Controlled Growth Strategy completed
– FY2016 decline in earnings due to one-off factors, highlighting the importance of Huon's risk management strategy

Huon Aquaculture has successfully completed its second year as a listed company. During the 2016 financial year we continued to work diligently to deliver on our commitment to build a stronger, more sustainable business that is well positioned to exploit the significant opportunities we see ahead.

Peter Bender
Managing Director and Chief Executive Officer

The underlying performance of our biological assets held up well given the challenging conditions experienced in the latter half of the year. This was supported by the fact that we had already committed to investing heavily in all stages of the production cycle in line with our strategy of carefully managing risk and building sustainable, long term revenue streams.

International demand for salmon now outstrips supply and as a consequence pricing has been improving since the last quarter of FY2016. Huon is investing in growing our market share as well as investigating long term opportunities to diversify into other, profitable species.

Performance Overview

Sales volumes and revenue increased strongly in FY2016 due to the accelerated harvest and buoyant international demand for salmon. However, profitability declined as we faced the challenges of managing the environmental risk created by a powerful El Niño event, as well as significant feed performance issues. At the same time we continued to invest in building our asset base, completing the implementation of the final stage of the Company's Controlled Growth Strategy (CGS) during this period.

Operating EBITDA of $26.45 million was derived from record annual sales revenue of $233.74 million. This compares with $40.45 million operating EBITDA in the previous corresponding period (pcp). The statutory profit (NPAT) of $3.43 million compares with $16.60 million (pcp).

The uplift in sales and revenue together with close management of working capital resulted in operating cash flow of $16.32 million which was used to partly fund the completion of the CGS.

Operating EBITDA is the preferred measure of underlying profitability as it excludes the fair value adjustment of biological assets, which can move significantly from period to period due to changes in the harvest pattern and pricing.

This adjustment in FY2016 was a negative $1.50 million, as a consequence of reduced fish biomass due to the accelerated harvest but reflects improved domestic pricing and overall pricing as a consequence of the reduced export mix.

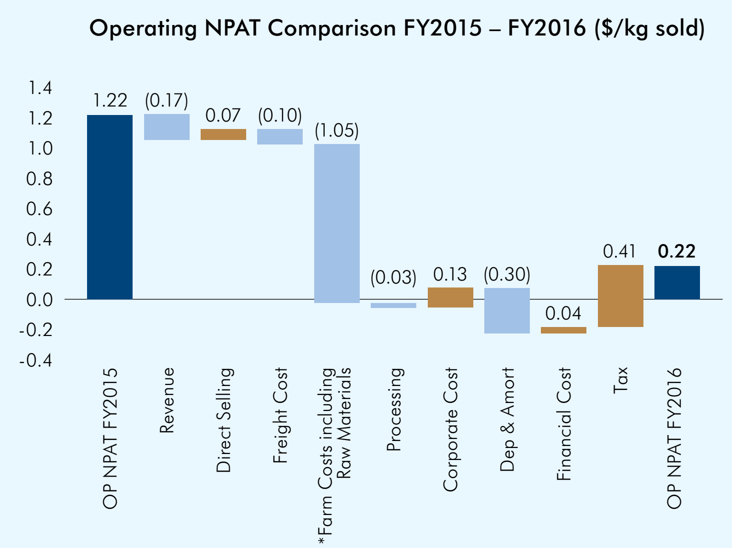
Overall net debt increased from $32.98 million (pcp) to $62.07 million, but gearing at 24.8% remains conservative.

In terms of the change in net profit, increased costs of production were the biggest influence, mostly from the higher farm and raw material costs. This is particularly evident when viewed on cost per kg basis due to the poor growing conditions in the second half. Freight costs were also higher due to the increased tonnage of fish sold through the export market. The other key contributor to lower operating profits was a reduction in average prices as a result of increased sales through the lower priced export market.

Operating Overview

The two key drivers of Huon's performance during the year were the accelerated harvest strategy arising from poor growth and the completion of the CGS. While our profitability in FY2016 was impacted by the risk mitigation measures that had to be taken in response to the rapid warming of the water, our commitment to completing the major capital expenditure programme across all aspects of our business, has positioned us well for the improved market outlook for salmon, both domestically and internationally. The CGS is already generating improvements in our business, such as better growing conditions and a safer workplace.

* **Farm costs including raw materials.** Increased costs driven by poor growing conditions in the 2nd half, particularly evident when viewed on a cost per kg basis.



Sales volumes increased by 24% as the tonnage of whole fish sold rose from 16,536 to 20,463 kg. A good growing season in the first half and the success of the Fortress Pens produced high quality, healthy fish which resulted in an overall increase in both the number and average weight.

The reduction in earnings was disappointing, but Huon puts the management of environmental and agricultural risk at the forefront of its strategic decision making. The El Niño was one of the three largest ever recorded in Australia and the Company took the decision to bring forward the harvest of the 2014 Year Class fish to the first half of FY2016. Importantly, the El Niño and other environmental issues also affected other salmon producing regions, which is presenting opportunities for Huon as global supply begins to tighten.

As a result of the accelerated harvest the Company exported more fish to Asia and the Pacific, which reduced our overall sales margins.

In the second half of FY2016 the Company benefited from a rapid rise in salmon prices. International market prices began to recover in December 2015 after two years of persistent downward pressure. Prices in the domestic market continued to improve late in FY2016 and have since stabilised. Targeted export sales into the Asia Pacific region will take advantage of improved international pricing.

Exports as a percentage of total sales increased markedly in FY2016, from 15% to 25%. The increase in export sales accounted for three quarters of our increased sales volume.

Channel mix (% of total revenue)

	FY2016	FY2015	FY2014
Wholesale	65%	75%	84%
Retail	10%	10%	10%
Export	25%	15%	6%

As market conditions progressively improved during the second half, the percentage of fish sold in the export market declined. This, combined with improving prices in the international salmon market, has resulted in Huon's overall average price per kg rising 18% from A$10.67 in the first half to A$12.56 with a significant portion of these coming in the last quarter. The percentage of export sales over the medium term is expected to be around 5%.

Update on Controlled Growth Strategy (CGS)

The Company's $200 million CGS is the key pillar of Huon's overall development and growth. Its full completion this year, on time and on budget, is a major milestone. The CGS brings benefits to each stage of the production process and will support long term growth in production, increased operational efficiency and higher quality product.

The FY2018 harvest will be the first to fully benefit from the CGS.

Project	Description	Expected benefits	Status
Forest Home Hatchery	A state of the art recirculation hatchery on the Huon River	Increased smolt capacity by almost 50%, produces larger and better quality smolt, more efficient transfer of smolt to sea, replaces more expensive contract hatcheries and improves size at all hatcheries	Completed in 2H2016
Fortress Pens	Stronger, wildlife safe pens for fish grow out	Better environment for growing, reduced mortality rate over time, improved worker safety, safer for wildlife, increased operational efficiency	Completed in 1H2016
Mooring System	Supports the new Fortress pens	Safer and more secure moorings, allows pens to be moored in higher energy sites, increase operational efficiency	Completed in 2H2016
Well-boat	State of the art 75-metre vessel (leased) for bathing fish, transporting fish to harvest and smolt (juvenile salmon) to sea	Enables farming at higher energy sites, gentler handling of fish for a variety of husbandry tasks, more efficient bathing, increase employee safety, less need to tow pens, reducing community impact	Completed in FY2015
Feed Barges	Innovative feed delivery system, deployed across all zones	Enables feeding at higher energy sites, better feeding of fish to appetite results in better growth, reduced waste and improved consistency of fish size; safer work environment	Completed in 1H2016
Processing	High tech smokehouse and innovation centre at Parramatta Creek in northern Tasmania and new Sydney facility	Increased capacity, increased product development capability, lower overheads, improved operational and logistical facilities, improved consistency and quality	Completed in FY2015

Huon's Safety First program has led to a marked reduction in incidents.

Improving Risk Management

Huon understands that constantly monitoring and managing risk is key to building sustainable long term revenues in aquaculture. In FY2016 the Company pursued a number of successful risk mitigation strategies.

The main focus was on reducing the risk from the forecast El Niño, particularly in the Macquarie Harbour region. Additional production was shifted away from this area during the year and we installed oxygenation systems in the Harbour to further reduce the stress on the remaining fish due to the warmer water and low oxygen. Macquarie Harbour now accounts for less than 15% of Huon's salmon production and will decline further as we build up our higher energy leases offshore in the southern region.

The Fortress Pen rollout, completed in the first half of FY2016, enabled stocking densities to be reduced at all sites, giving the fish a better environment in which to grow. The pens also significantly reduced wildlife interactions, thereby reducing a major contributor to mortality risk over the longer term. The new feed barges have been an integral part of Huon's move to the better performing, higher energy sites.

In December 2015, Huon acknowledged that it had exceeded its dissolved nitrogen input limits as a result of additional feed inputs into the Huon River. The Company has approached the management of this issue responsibly which occurred as a result of a range of factors including salmon growth rates. The move to offshore leases will continue to reduce the footprint on this region and the Company does not expect an incident like this to reoccur.

	FY2016	FY2015
Lost Time Injury Frequency Rate (LTIFR)		
Number of injuries per 1 million hours worked	7	27
Average Lost Time Rate (ALTR)		
Hours lost per employee	16	19
Incident Rate (IR)		
Number of Lost Time Injuries per 100 employees	1.3	5.2

Key Risk Factors

Huon is exposed to four key areas of risk which are actively monitored and regularly assessed as part of our operational management strategy.

Agricultural risk (disease, algae)
- FY2016 measures: completed rollout of Fortress pens, allowing reduced stocking densities, new feed barges for better feeding practices. Participation in the industry-wide selective breeding programme.

Environmental risk (weather, wildlife)
- FY2016 measures: accelerated harvest, decreased stocking densities and installation of oxygenation system in Macquarie Harbour. Fortress pens and new mooring systems fully deployed, allowing placement in higher energy sites and reducing wildlife interactions.

Market risk (competition, consumer preferences)
- FY2016 measures: increased presence in retail and the growing domestic market. Continuing to research species diversification.

Safety risk
- FY2016 measures: improvement in lost time injury frequency rate.

People and Safety

Huon's Safety First program has resulted in a marked improvement in its Lost Time Injury Frequency Rate (LTIFR) in FY2016, reduced from 27 in FY2015 to 7 in FY2016.

The introduction of new Fortress Pens has created a safer working environment, evidenced by a reduction in slips, trips and falls.

The Company has invested in an expanded safety team and there is a relentless focus on safety in all areas of the business.

Outlook

Forecasts by industry analysts of a recovery in the market outlook for salmon were confirmed at the beginning of the 2016 calendar year with reduced global supply and continuing growth in global and domestic demand pushing up salmon prices. We anticipate prices stabilising around current levels given the favourable long term trends for supply and demand in both the domestic and international salmon markets.

In Australia imports have fallen significantly over the past twelve months largely as a result of domestic producers increasing supply during 2015, with some support provided by the weaker Australian dollar. The domestic market is expected to continue to grow at 10% p.a. over the long term.

The recent rise in international and domestic salmon prices together with the completion of the CGS will underpin Huon's recovery and increase its profitability in the short to medium term. The poor growing conditions will nonetheless continue to affect the business in FY2017 in the form of lower average fish weights. We are therefore anticipating that volumes from the harvest in FY2017 will be broadly in line with FY2016.

We are however confident that margins Operating EBITDA will return to levels comparable to those experienced in FY2015, resulting in a strong turnaround in profitability in FY2017. The full impact of the CGS investment in the form of substantially improved operating efficiencies will deliver further growth in FY2018.

Huon's new supply agreements in retail will double the percentage of Huon sales going into the retail market, resulting in around 25% of production volume going through this channel. The growth of its on-shelf retail presence is supported by Huon's state of the art facilities at Parramatta Creek and Sydney. Huon will continue to look for opportunities in the retail market as we seek to optimise the balance in our channel mix.

While the full benefits of the CGS will not be felt until 2018, the measures put in place over the past two years will improve efficiencies, reduce risk and lower costs. Huon also recently completed new feed tenders.

It should be stressed that FY2016's results are not indicative of the strength of Huon's underlying business. We maintain a strong focus on managing risk and will continue to refine our approach to managing every aspect of Huon's business.

Peter Bender, Managing Director and Chief Executive Officer

FINANCIAL SUMMARY

Statory Earnings

- Significant uplift in both harvest tonnage and sales revenue due to the accelerated harvest strategy.
- Reduction of EBITDA to $24.95m due to two one-off events
  - poor growing conditions due to an extreme El Niño and feed performance issues
  - increased sales into the export market at a time of depressed prices.
- Exports in FY2016 accounted for 25% of revenue, a level which is not expected to be continued.
- Operating cash flow down 6% due to a combination of lower average prices, higher farm costs due to lower growth and increased freight charges.
- Decrease in Fair Value Adjustment of Biological Assets by $1.50m as a consequence of reduced stock levels but a market valuation that reflects the improved pricing environment and channel mix.
- Strong balance sheet with comfortable gearing level of 25%.
- Implementation of the Controlled Growth Strategy, completed on time and on budget.

		FY2016	FY2015	FY2014
Tonnage	t	**20,463**	16,536	15,156
Revenue[1]	$M	**233.74**	191.73	188.35
Revenue per HOG kg	$/kg	**11.42**	11.59	12.43
EBITDA[2]	$M	**24.95**	35.19	59.19
EBITDA per HOG kg	$/kg	**1.22**	2.13	3.91
EBITDA margin	%	**10.7%**	18.4%	31.4%
EBIT	$M	**7.31**	25.80	51.13
NPAT	$M	**3.43**	16.60	33.80
Fair value adjustment	$M	**(1.50)**	(5.26)	4.49
Related income tax refund/(expense)[3]	$M	**0.45**	1.58	(1.35)
Biological assets	$M	**147.22**	151.84	122.83
Earnings per share	c	**3.92**	20.99	55.41
Net debt[4]	$M	**62.07**	32.98	64.47
Total gearing ratio[5]	%	**24.8%**	13.3%	58.7%
Return on assets[5]	%	**1.8%**	6.4%	19.6%

Tonnage
20,463t
(FY2015: 16,536t)

Sales Revenue
$233.74m
(FY2015: $191.73m)

Sales Revenue by Channel:

Wholesale
65%
(FY2015: 75%)

Export
25%
(FY2015: 15%)

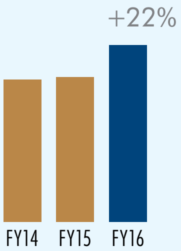
Retail
10%
(FY2015: 10%)

Employees
524
(FY2015: 514)

Operating Earnings and Cash Flow

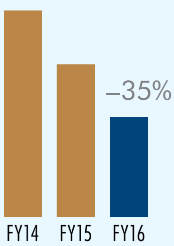
Revenue[1]

$million



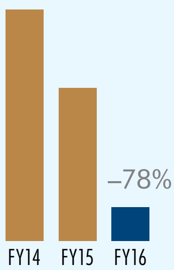
Operating EBITDA[7]

$million



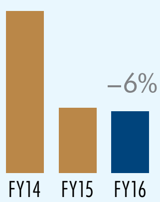
Operating NPAT

$million



Operating Cash Flow

$million



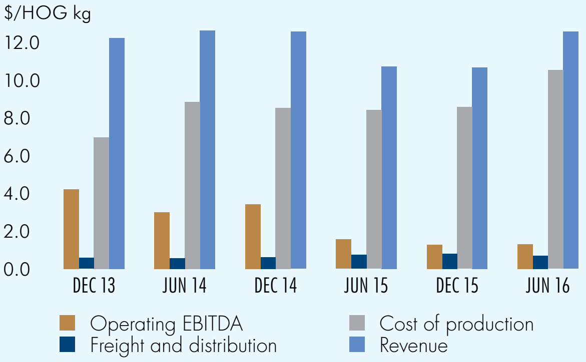
1 Revenue from the sale of goods.
2 Statutory EBITDA is a non-IFRS financial measure which is used to measure business performance, using net depreciation and amortisation recognised in the income statement.
3 Related income tax at current tax rate.
4 Net Debt is total net of cash and cash equivalents.
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.

KEY FINANCIALS

Operational Performance

Six months ended		30 Jun 2016	31 Dec 2015	30 Jun 2015	31 Dec 2014
Harvest volume HOG t	t	8,174	12,288	8,686	7,850
Revenue from operations	$M	102.6	131.1	93.1	98.6
Revenue $/HOG kg	$/kg	12.56	10.67	10.72	12.56
Cost of production	$M	(86.0)	(105.3)	(73.1)	(66.9)
Cost of production $/HOG kg	$/kg	(10.52)	(8.57)	(8.41)	(8.53)
Freight and distribution	$M	(5.9)	(10.0)	(6.5)	(4.8)
Freight and distribution $/HOG kg	$/kg	(0.73)	(0.82)	(0.74)	(0.61)
Operating EBITDA*	$M	10.7	15.8	13.6	26.9
Operating EBITDA $/HOG kg	$/kg	1.31	1.28	1.56	3.42
Margin	%	10.4%	12.0%	14.6%	27.2%
Fair value adjustment	$M	6.1	(7.6)	(21.5)	16.2

Operational Performance

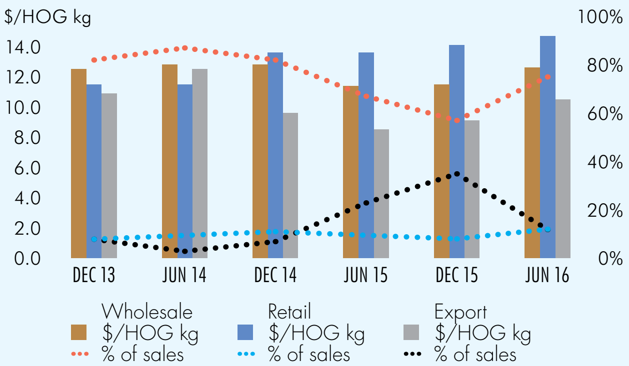


- Revenues were impacted by lower prices in the first half of FY2016 despite increased harvest volumes from the accelerated harvest. Improved pricing in the second half was offset by poor growing conditions and lower tonnages.
- Operating margins were squeezed by falling revenue per kg in the first half and a 23% increase in the cost of production per kg in the second half as the average fish harvest weight fell by 22%.
- The increase in the Fair Value Adjustment in the second half by $6.1m at 30 June 2016 reflects the improved pricing environment and channel mix.

Sales Channel

Six months ended		30 Jun 2016	31 Dec 2015	30 Jun 2015	31 Dec 2014
Wholesale HOG kg	t	6,127	6,517	5,435	6,371
Retail HOG kg	t	886	701	674	804
Export HOG kg	t	1,162	5,070	2,577	675
Wholesale % of revenue	%	75%	57%	67%	82%
Retail % of revenue	%	13%	8%	10%	11%
Export % of revenue	%	12%	35%	23%	7%
Wholesale $/HOG kg	$/kg	12.64	11.49	11.44	12.75
Retail $/HOG kg	$/kg	14.67	14.10	13.57	13.57
Export $/HOG kg	$/kg	10.51	9.14	8.46	9.55

Distribution Channels by Price and Contribution to Sales

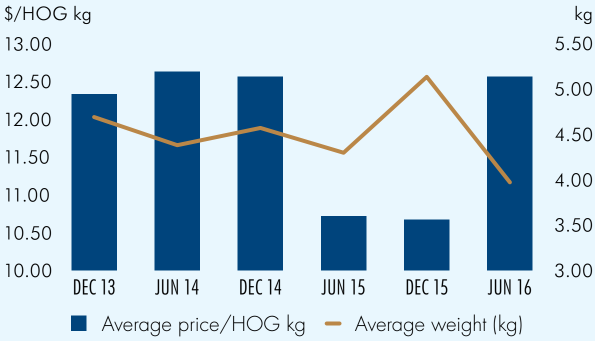


- The majority of Huon salmon are sold into the wholesale market at prices which have averaged between $11.44 and $12.75 per kg in recent years.
- Export pricing is weaker than that achieved in the domestic market so revenue was impacted in CY2015 when exports increased due to the accelerated harvest, peaking at 35% of total sales.
- While retail pricing has been steadily improving, Huon sales contribution from this segment remains modest at around 10-12%.

Biological Assets

Six months ended		30 Jun 2016	31 Dec 2015	30 Jun 2015	31 Dec 2014
Biological assets at fair value	$M	147.2	135.5	151.8	158.6
Fair value adjustment (FVA)	$M	29.4	23.3	30.9	52.4
Biological assets (excluding FVA)	$M	117.8	112.2	120.9	106.2
Total weight of live finfish at sea	t	12,075	14,499	15,949	17,441
Biological asset value/HOG kg	$/kg	12.19	9.34	9.52	9.09
Fair value adjustment/HOG kg	$/kg	2.43	1.61	1.94	3.00
Biological assets/HOG kg (excluding FVA)	$/kg	9.76	7.74	7.58	6.09
Number of fish (harvest)	000's	2,047	2,390	2,020	1,717
Sales volume (HOG kg)	t	8,174	12,288	8,686	7,850
Average HOG weight	kg	4.00	5.14	4.30	4.57
Average price/HOG kg (net sales)	$/kg	12.56	10.67	10.72	12.56
Net sales	$M	102.6	131.0	93.1	98.6

Fish weight and price

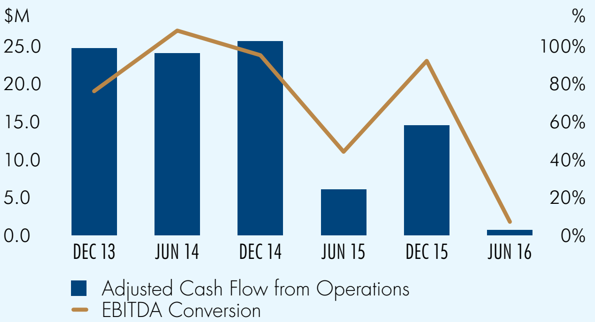


– Average prices in the first 6 months of calendar 2015 were impacted by intense import competition whilst the accelerated harvest in the latter half resulted in over a third of sales being channeled into the lower priced export market.
– Favourable growing conditions in FY2015 delivered an increase in average fish weight (>5kg) which, when combined with the move to bring forward the harvest, boosted sales volumes in the first half of FY2016 by 41%.
– Second half performance in FY2016 however was mixed with a substantial reduction in fish weight due to El Niño mitigated by a strong uplift in domestic and world salmon prices.

Cash Generation

Six months ended		30 Jun 2016	31 Dec 2015	30 Jun 2015	31 Dec 2014
Operating EBITDA*	$M	10.7	15.8	13.6	26.9
Cash flow from operations	$M	(0.9)	17.2	2.0	15.3
Add – net interest paid	$M	1.6	1.6	0.7	1.7
– tax paid/(refunded)	$M	–	(4.3)	2.6	8.4
Adjusted cash flow from operations	$M	0.7	14.5	5.3	25.4
EBITDA conversion	%	7%	92%	39%	94%
Capex	$M	14.3	30.2	46.5	55.3
Cash at end of period	$M	3.8	10.8	13.8	60.4

Operational Cash Flow



– Operational cash flow during CY2015 was impacted by lower prices for salmon in both the domestic and export markets.
– During the same period Huon spent over $75 million in capex implementing its Controlled Growth Strategy.
– Cash flows in the second half of FY2016 were affected by poor growth and increased feed and farm related costs.

BOARD OF DIRECTORS

Peter Margin B.Sc., MBA

Chairman

Director since August 2014

Peter has many years of leadership experience in major Australian and international food companies.

His most recent role was Chief Executive Officer of ASX-listed company Goodman Fielder Limited and before that Peter was Chief Executive Officer and Chief Operating Officer of National Foods Limited.

Peter has also held senior management roles in Simplot Australia Limited, Pacific Brands Limited, East Asiatic Company and HJ Heinz Company Australia Limited.

Peter is currently a Non-executive Director of ASX-listed companies Bega Cheese Limited, PMP Limited (retiring 30 August), Pact Group Holdings Pty Ltd, Nufarm Limited, and Costa Group Holdings Limite. Is currently Executive Chairman of Asahi Holdings Australia Pty Ltd.

Peter is a former Executive Director of ASX-listed Goodman Fielder Limited (2005–2011) and former Chief Executive Officer and Chief Operating Officer of National Foods Ltd (1997–2005)

Special Responsibilities

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

Peter Bender

Managing Director and Chief Executive Director

Director since May 2005

Founder of Huon with over 29 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 the Tasmanian Salmonid Growers Association Ltd and Salmon Enterprises of Tasmania Pty Ltd.

Frances Bender

Non-independent Executive Director

Director since May 2005

Founder of Huon with over 29 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.

Neil Kearney B.Ec

Independent
Non-executive Director

Director since August 2014

Neil has significant leadership experience in major Australian and international food companies with senior roles at Goodman Fielder Limited and National Foods Limited.

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

Neil 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

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

Simon Lester CA, BCom, MAppFinInv

Independent
Non-executive Director

Director since August 2014

Simon has been an adviser to Huon since 1994, with 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.

Simon is currently the Chief Risk Officer of The Royal Automobile Club of Tasmania and a Board member of CatholicCare 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

- Member 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 2016.

Directors

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

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

The qualification, experiences and special responsibilities of the Directors are provided on pages 18 to 19.

Directors' Interests

Particulars of Directors' interests as at 30 June 2016 were:

Shareholdings	Ordinary Shares	Performance Rights
Peter Margin	6,316	–
Peter Bender	59,435,729	143,502
Frances Bender	44,593,046	–
Neil Kearney	6,316	–
Simon Lester	14,516	–

Company Secretary

Thomas Haselgrove B.Ec. CA

Mr Haselgrove is the Chief Financial Officer and Company Secretary with 24 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. Mr Haselgrove 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

The Directors have determined to not recommend the payment of any dividend for the year ended 30 June 2016.

A fully franked dividend of $800,000 was declared to the members of Huon Aquaculture Group Limited prior to listing and paid on 23 October 2014.

Review of Operations

Information on the operations and financial position of the Consolidated Group, and the Group's Controlled Growth Strategy, 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 10 to 14 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

During FY2016 Huon experienced issues with fish feed supplied by Ridley AgriProducts Pty Ltd and withheld payment of $17,579,116. On 16 August 2016 Huon was issued with proceedings to recover the withheld amount. Huon will be defending the proceedings and progressing its own claims arising from the feed issues. The Consolidated Group has recognised the amount and recorded it in trade payables as a current liability as at 30 June 2016.

Future Developments

Likely developments for the Consolidated Group are addressed through the Company's Controlled Growth Strategy and 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 Committee meetings		Remuneration and Nominations Committee meetings	
Director	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
Peter Margin	11	11	4	4	3	3
Peter Bender	11	10	*	*	*	*
Frances Bender	11	10	*	*	*	*
Neil Kearney	11	11	4	4	3	3
Simon Lester	11	11	4	4	3	3

* Not a member of the Committee

Share Options and Performance Rights

During or since the end of the financial year, 210,406 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.

The Directors acknowledge that Huon breached its dissolved nitrogen input level in December 2015 when it temporarily exceeded expected feed inputs into the Huon River. The breach was voluntarily reported to the regulator.

REMUNERATION REPORT

Introduction

This Remuneration Report for the financial year ended 30 June 2016 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 Executive Directors, the Managing Director (who is also the Chief Executive Officer (CEO)), the Non-executive Directors (NEDs), the Deputy Chief Executive Officer (DCEO) and the Chief Financial Officer (CFO) (who is also the Company Secretary). 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 2016 unless otherwise indicated.

Executive Directors

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

Non-executive Directors

– Peter Margin (Chairman and Non-executive Director)
– Neil Kearney (Non-executive Director)
– Simon Lester (Non-executive Director)

Senior Management

– Philip Wiese (Deputy Chief Executive Officer)
– Thomas Haselgrove (Chief Financial Officer and Company Secretary)

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 2016 the RNC comprised Peter Margin (Chairman), Neil Kearney and Simon Lester.

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 Controlled Growth Strategy. The RNC's Charter can be viewed on the Company website.

Use Remuneration Consultants

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 2016.

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 Senior Management

The following information relates to the remuneration arrangements for the Executive Directors and Senior Management 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 (RPS)

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.

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.

REMUNERATION REPORT (continued)

Components of Remuneration

In the financial year ended 30 June 2016, 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
Total fixed remuneration (TFR) 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 as well as individual performance are considered during the annual remuneration review of fixed remuneration
STI Cash bonus	– Operating earnings before interest, tax, depreciation and amortisation (excluding adjustments for biological assets)(50%) – Cash flow from operations (30%) – Lost time injury frequency rate (20%)	– DCEO Target = 40% – CFO Target = 30%	To provide short term incentive for employee to remain in the Company and to recognise and reward contribution to short-term Company outcomes
LTI Performance Rights	– Earnings per share growth (50%) – Return on assets (50%)	– MD/CEO Target = 100% – DCEO Target = 40% – CFO Target = 30%	The LTI plan provides a reward to KMP for their contribution to the achievement of forecasted FY 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 2015 and 2016:

	Fixed	Target STI	Target LTI	Total %
Chief Executive Officer	50%	–	50%	100%
Executive Director	100%	–	–	100%
Deputy Chief Executive Officer	56%	22%	22%	100%
Chief Financial Officer	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.

Total Fixed Remuneration (TFR)

TFR includes base salary, superannuation contributions, long service and annual leave and other 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 2015 and 2016 fixed remuneration levels are provided below:

	Total fixed remuneration	
KMP	2016 $	2015 $
Peter Bender	516,246	618,161
Frances Bender	188,573	191,741
Philip Wiese	380,770	414,393
Thomas Haselgrove	295,996	322,189

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. 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 CFO.
What are the performance conditions for FY2016?	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 FY2016 the performance measures under the STI plan were as follows:
	– Operating earnings before interest, tax, depreciation and amortisation (excluding adjustment for biological assets) – Cashflow from operations – 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 Controlled Growth 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. 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 2015 and 2016

KMP	Target STI 2016	Target STI 2015
Philip Wiese	40%	40%
Thomas Haselgrove	30%	30%

REMUNERATION REPORT (continued)

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 FY2016 LTI performance rights grant?	Performance rights issued under the FY2016 LTI Plan are subject to two separate performance measures: – 50% of the performance rights will be subject to a vesting condition based on EPS CAGR (earnings per share compound annual growth rate) over the performance period; and – 50% of the performance rights will be subject to a vesting condition based on Return on Assets (ROA) over the performance period. 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 LTI plan performance rights vest?	The performance rights granted will vest in three equal tranches over three years with each tranche subject to the performance hurdles associated with the grant. The performance rights allocated in each tranche will vest on the applicable Vesting Date to the extent that certain performance based conditions are achieved in the relevant performance period. **Tranche** — **Performance Period** – Tranche 1 — 1 July 2015 – 30 June 2016 – Tranche 2 — 1 July 2015 – 30 June 2017 – Tranche 3 — 1 July 2015 – 30 June 2018 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 2018.
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. 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. 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 2015 and 2016:

KMP	LTI value as % of TFR 2016	LTI value as % of TFR 2015
Peter Bender	100%	100%
Philip Wiese	40%	40%
Thomas Haselgrove	30%	30%

2016 LTI Plan Hurdles explained

Performance rights issued under the 2016 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%

The relationship between earnings and the number of shares issued is calculated as the net profit after income tax (NPAT) 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%

The Return on Assets is calculated as statutory earnings before interest and tax 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	2016	2015
Operating earnings before interest, tax, depreciation and amortisation (EBITDA)	$m	26.5	40.5
Cash flow from operations (CF)	$m	16.3	17.3
Lost Time Injury Frequency Rate[1] (LTIFR)	hours/million	7	27
Earnings per share (EPS)	cents	3.92	20.99
Return on Assets (ROA) (Operating)	%	2.1	7.7
Dividend	$m	–	0.8
Dividend payout ratio	%	–	4.8
Share price (30 June)	$	3.50	3.40

1. 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.

REMUNERATION REPORT (continued)

Consolidated Group performance and its link to STI

The following table outlines the Company's 2016 STI performance scorecard measures, weightings and outcomes as applied to the KMP.

Performance against STI plan targets

Performance Measures	Description	Weighting	Outcome	Comment
Operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA)	Statutory EBITDA excluding adjustment for biological assets.	50%	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%	Not 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%	Achieved 74% reduction	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 2016

The following table provides a summary of STI outcomes and payments for the 2016 performance year.

KMP	STI target $	Target STI as % of TFR	Total STI achieved $	Total STI forfeited $	Total STI achieved as % of STI target
Philip Wiese	139,422	40%	27,884	111,538	20%
Thomas Haselgrove	75,337	30%	15,068	60,269	20%

LTI outcomes for KMP for 2016 – Performance against Tranche 1 LTI plan targets

The following table shows the performance of Tranche 1 FY2016 performance rights against the targets.

Performance Measures	Description	Weighting	Outcome	% Vested
EPS compound annual growth rate	Earnings per share growth	**50%**	Less than 7.5% CAGR	0%
ROA	Return on Assets	**50%**	Less than 10% ROA	0%

KMP 2016 LTI Grants

Details of the awards made to KMP as part of the 2016 LTI performance rights grant are provided in the following table:

KMP – Performance rights granted	Grant date	Units granted	Fair value $	Total fair value of grant 2016 $
Peter Bender	25 Nov 2015	143,502	4.04	579,748
Philip Wiese	19 Oct 2015	43,434	4.01	174,170
Thomas Haselgrove	19 Oct 2015	23,470	4.01	94,115

KMP – Performance rights assessed	Period	Achieved	Forfeited
Peter Bender	1 July 2015 – 30 June 2016	–	47,834
Philip Wiese	1 July 2015 – 30 June 2016	–	14,478
Thomas Haselgrove	1 July 2015 – 30 June 2016	–	7,823

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.

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. Under the terms of the present contract, the CEO receives fixed remuneration of $461,266 p.a. plus superannuation and access to the LTI plans. 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	Unvested awards forfeited 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. Under the terms of the present contract the ED receives fixed remuneration of $149,880 p.a. plus superannuation. 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

Deputy Chief Executive Officer (DCEO)

The Deputy Chief Executive Officer (DCEO) is employed under an ongoing contract which can be terminated with notice by either the Company or the DCEO. Under the terms of the present contract the DCEO receives fixed remuneration of $348,499 p.a. plus superannuation. The DCEO's target STI plan maximum opportunity is 40% of fixed remuneration. The DCEO's target LTI plan maximum opportunity is 40% of fixed remuneration. 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

Chief Financial Officer (CFO)

The Chief Financial Officer (CFO) is employed under an ongoing contract which can be terminated with notice by either the Company or the CFO. Under the terms of the present contract the CFO receives fixed remuneration of $251,126 p.a. plus superannuation. The CFO's target STI maximum opportunity is 30% of fixed remuneration. The CFO's target LTI maximum opportunity is 30% of fixed remuneration. 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 2016

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. 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 $	Total $	Performance related %
Executive Directors									
Managing Director and CEO Peter Bender									
2016	461,265	15,859	–	(4,699)	43,820	–	–	516,245	–
2015	459,078	31,075	–	92,344	35,664	–	–	618,161	–
Executive Director Frances Bender									
2016	149,880	7,875	–	(2,477)	33,295	–	–	188,573	–
2015	128,611	26,291	–	439	36,400	–	–	191,741	–
Key Management Personnel									
Deputy CEO Philip Wiese									
2016	348,499	–	–	(836)	33,107	27,884	–	408,654	7%
2015	365,789	–	–	13,854	34,750	–	–	414,393	–
Chief Financial Officer Thomas Haselgrove									
2016	217,965	44,980	–	8,072	24,979	15,068	–	311,064	5%
2015	234,793	34,244	–	27,892	25,260	–	–	322,189	–
Total									
2016	**1,177,609**	**68,714**	**–**	**60**	**135,201**	**42,952**	**–**	**1,424,536**	**3%**
2015	1,188,271	91,610	–	134,529	132,074	–	–	1,546,484	–

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 Executive Directors 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 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. Fees for duties undertaken in the Audit and Risk Management Committee (ARC) and Remuneration and Nomination Committee (RNC) respectively are included in the total NED remuneration cost. NEDs do not participate in any incentive programs.

Non-executive Directors

- Peter Margin (Chairman & Non-executive Director)
- Neil Kearney (Non-executive Director)
- Simon Lester (Non-executive Director)

Directors' Report

REMUNERATION REPORT (continued)

The table below shows the actual NED remuneration for FY2015.

	Base $	ARC $	RNC $	Super annuation $	Total $
Mr Peter Margin (Chairman)	92,558	–	15,530	10,268	118,356
Mr Neil Kearney	52,025	15,530	–	6,418	73,973
Mr Simon Lester	42,457	–	–	15,732	58,189
Total Non-executive Director remuneration	187,040	15,530	15,530	32,418	250,518

The table below shows the actual NED remuneration for FY2016.

	Base $	ARC $	RNC $	Super annuation $	Total $
Mr Peter Margin (Chairman)	126,519	–	20,000	13,919	160,438
Mr Neil Kearney	62,417	20,000	–	7,830	90,247
Mr Simon Lester	58,673	–	–	11,519	70,192
Total Non-executive Director remuneration	247,609	20,000	20,000	33,268	320,877

Director and KMP Shareholdings

The table below refers to direct shareholdings only.

	Balance at start of FY2016 $	Acquired during FY2016 $	Other changes during FY2016 $	Balance at end of FY2016 $
Mr Peter Margin (Chairman)	–	–	–	–
Mr Neil Kearney	–	–	–	–
Mr Simon Lester	–	–	–	–
Mr Peter Bender	14,848,477	–	–	14,848,477
Mrs Frances Bender	5,794	–	–	5,794
Mr Philip Wiese	3,487	–	(3,277)	210
Mr Thomas Haselgrove	15,000	–	–	15,000

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	344,073
PAB Contracting Pty Ltd (PAB)*	Peter, Frances Bender	Lease of equipment to Huon	58,909

* 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 2016 financial year, Huon paid a total of $42,735 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 35 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 2016 $	Consolidated 2015 $
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	240,000	175,000
Other assurance services - Audit of grant acquittal	–	3,500
Total remuneration for audit services	240,000	178,500
Taxation & other advisory services		
Taxation & other advisory services	5,100	–
IPO due diligence	–	215,000
IPO taxation and remuneration related services	–	127,000
Other advisory services	5,142	28,000
Total remuneration for taxation & other advisory services	10,242	370,000
Total remuneration of PricewaterhouseCoopers Australia	250,242	548,500

The Board of Directors has considered the position and, in accordance with advice received from the audit 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 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.

Peter Margin
Chairman
Date: 30 August 2016

Peter Bender
Managing Director and CEO
Date: 30 August 2016

Auditor's Independence Declaration

As lead auditor for the audit of Huon Aquaculture Group Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. 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
30 August 2016

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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 30 August 2016.

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 senior executive performance; and
- establishing and monitoring executive succession planning.

Monitoring of performance

- approving criteria for assessing performance of Senior Executives 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 Senior Executive when delegated authority. The CEO and Senior Executives 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 Senior Executives

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. Senior Executives are also engaged under a written agreement setting out the terms of their employment.

CORPORATE GOVERNANCE STATEMENT (continued)

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 and 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, Senior Executives, Senior Management team and employees critical to the success of the Company.

Diversity objectives

- Apply a 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 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:

- Huon's Flexible Work Practices Policy has been adopted by the Company
- Data specific to gender split is included in the Company's Sustainability Dashboard
- There were no vacancies for the Board in the reporting period however Huon's Board includes an industry prominent and well experienced female Executive Director
- Huon achieved its target of female representation of 20% in the Fish Performance operational business unit
- Diversity orientated selection practices continued to support a 14% participation rate in the Australian School Based Apprenticeships Program

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% female proportion on the Board
- 0% female proportion in Key Management Personnel and Senior Management
- 11% female proportion Management
- 14% female participation in Huon's Australian School Based Apprenticeship Program
- 19% 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 FY2016. 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.

Senior Executive performance evaluation

Arrangements are in place by the Board to monitor and assess the performance of the CEO and Senior Executives 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 Senior Executives.

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 18 to 19 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, Mr Peter Margin, and Non-executive Directors, Neil Kearney and Simon Lester, 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 has assessed the independance of Non-executive Director Simon Lester in line with Huon's Board Charter and now consider him as independent, 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. No new Directors have been appointed since the Company listed in 2014. 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.

CORPORATE GOVERNANCE STATEMENT (continued)

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 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 FY2016.

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.

CORPORATE GOVERNANCE STATEMENT (continued)

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 risk
	People and safety
	Fuel and energy prices
	Food prices and supply
	Legal and contractual
	Reputation
Environmental	Agricultural – disease, algae
	Predator
	Weather
	Water
	Regulation
Social	Reputation
	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 6 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 Senior Executives and other employees; and
- the remuneration packages for Directors, the CEO and Senior Executives.

When needed, the Company has also sought advice from PricewaterhouseCoopers 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 Senior Executives

The Company is committed to attracting and retaining the best people to work in the organisation including Directors and Senior Executives. 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 Senior Executives having regard to the Company's performance, the performance of the Senior Executives and the general pay environment; and
- comply with all relevant legal and regulatory provisions.

Remuneration for Executive Directors and Senior Executives 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 FY2016 is set out in the Remuneration Report on pages 23 to 32 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.

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CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue from operations	1(a)	233,809	192,705
Other income	1(b)	7,404	5,611
Expenses			
Fair value adjustment of biological assets		(1,505)	(5,260)
Changes in inventories of finished goods and work in progress		(3,552)	40,551
Raw materials and consumables used		(130,804)	(123,701)
Employee benefits expense	2	(49,122)	(47,952)
Depreciation and amortisation expense	2	(19,666)	(13,200)
Finance costs	2	(3,259)	(3,351)
Freight & Distribution expense		(16,009)	(11,269)
Other expenses		(13,242)	(11,672)
Total expenses		**(237,159)**	**(175,854)**
Profit before income tax expense		4,054	22,462
Income tax expense	24	(627)	(5,859)
Net profit for the period attributable to members of the Company		**3,427**	**16,603**

	Note	Cents per share 2016	Cents per share 2015
Earnings per ordinary share			
Basic (cents per share)	4	3.92	20.99
Diluted (cents per share)	4	3.92	20.99

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 2016

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit for the period	3,427	16,603
Other comprehensive income	–	–
Total comprehensive income for the period (net of tax)	**3,427**	**16,603**
Total comprehensive income attributable to:		
Owners of Huon Aquaculture Group Limited	3,427	16,603
	3,427	**16,603**

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Assets			
Current assets			
Cash and cash equivalents	10	3,787	13,799
Trade and other receivables	11	23,476	19,575
Inventories	12	10,998	11,435
Biological assets	3	147,217	151,837
Other financial assets	19	71	147
Current tax receivable	24	3	4,357
Other assets	13	2,615	4,325
Total current assets		**188,167**	**205,475**
Non-current assets			
Financial assets	18	1,341	1,341
Property, plant and equipment	6	210,490	184,494
Other assets	7	10,172	10,592
Intangible assets	29,30	2,995	2,708
Total non-current assets		**224,998**	**199,135**
Total assets		**413,165**	**404,610**
Liabilities			
Current liabilities			
Trade and other payables	14	45,297	59,628
Borrowings	15	13,878	5,867
Other financial liabilities	32	–	–
Current tax liabilities	24	–	–
Provisions	33	4,800	4,777
Other current liabilities	34	464	464
Total current liabilities		**64,439**	**70,736**
Non-current liabilities			
Borrowings	15	51,979	40,916
Deferred tax liabilities	24	41,313	40,685
Provisions	33	1,311	1,368
Other non-current liabilities	34	3,350	3,814
Total non-current liabilities		**97,953**	**86,783**
Total liabilities		**162,392**	**157,519**
Net assets		**250,773**	**247,091**
Equity			
Contributed equity	16	164,302	164,302
Other reserves	17	255	–
Retained earnings		86,216	82,789
Total equity		**250,773**	**247,091**

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 2016

	Note	Contributed Equity $'000	Retained Earnings $'000	Share-based Payment Reserve $'000	Total Equity $'000
Balance at 1 July 2014		**42,937**	**66,986**	**–**	**109,923**
Profit for the period		–	16,603	–	16,603
Total other comprehensive income for the year, net of tax		–	–	–	–
Contributions of equity, net of transactions costs		121,365	–	–	121,365
Dividends paid or provided for	5	–	(800)	–	(800)
Balance at 30 June 2015		**164,302**	**82,789**	**–**	**247,091**
Balance at 1 July 2015		**164,302**	**82,789**	**–**	**247,091**
Profit for the period		–	3,427	–	3,427
Total other comprehensive income for the year, net of tax		–	–	–	–
Contributions of equity, net of transactions costs		–	–	–	–
Share-based payment expense	2(b)	–	–	255	255
Dividends paid or provided for	5	–	–	–	–
Balance at 30 June 2016		**164,302**	**86,216**	**255**	**250,773**

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 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash flows from operating activities			
Receipts from customers		236,858	202,629
Payments to suppliers and employees		(221,696)	(171,924)
		15,162	30,705
Interest received		66	975
Interest and other costs of finance paid		(3,259)	(3,351)
Income tax (paid)/refunded		4,355	(11,015)
Net cash inflow/(outflow) from operating activities	10	**16,324**	**17,314**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		226	75
Payments for property, plant and equipment		(44,563)	(101,890)
Payment for business	9	(1,073)	–
Payments for other assets		–	(3,326)
Net cash inflow/(outflow) from investing activities		**(45,410)**	**(105,141)**
Cash flows from financing activities			
Proceeds from issues of shares		–	120,117
Proceeds from borrowings		44,688	56,196
Repayment of borrowings		(25,614)	(76,102)
Dividends paid to company's shareholders		–	(800)
Net cash inflow/(outflow) from financing activities		**19,074**	**99,411**
Net increase/(decrease) in cash held		(10,012)	11,584
Cash and cash equivalents at beginning of financial year		13,799	2,215
Cash and cash equivalents at end of financial year	**10**	**3,787**	**13,799**

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

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 30 August 2016 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 2016 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 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 2015, and therefore relevant for the current year end.

AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments'

The amendment contains three main parts and makes amendments to a number of Standards and Interpretations.

- Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1
- Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards
- Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments

AASB 2014-1 'Amendments to Australian Accounting Standards (Part E: Financial Instruments)'

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements.

AASB 2014-8 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)'

The amendment limits the application of the existing versions of AASB 9 (AASB 9 [December 2009] and AASB 9 [December 2010]) from 1 February 2015.

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

The amendment completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments does not have any material impact on the amounts recognised in the Group's consolidated financial statements.

Refer to discussion on the Group's assessment of AASB 9 on page 51.

Other than that, the adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

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'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 1057 'Application of Australian Accounting Standards'	1 January 2016	30 June 2017
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1 January 2016	30 June 2017
AASB 2014-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 January 2018	30 June 2019
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2018	30 June 2019
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15'	1 January 2016	30 June 2017
AASB 2015-19 'Amendments to Australian Accounting Standards – Scope and Application Paragraphs'	1 January 2017	30 June 2018
AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2016	30 June 2017
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

The 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 finanical assets and financial liabilties, introduces new rules for hedge accounting and a new impairment model. The standard is not applicable until 1 January 2018 but is available for early adoption.

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

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

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

The Group has assessed how its own financial instruments would be affected by the new rules. 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 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 new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 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 is currently assessing the impact of the new rules and has identified the following areas that are likely to be affected:

- Consignment sales where recognition of revenue will depend on the passing of control rather than the passing of risks and rewards.

The Group is currently assessing the impact of the new rules on the Group's financial statements and will assess the likely impact leading up to the adoption of the standard.

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 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply AASB 15 *Revenue from Contracts with Customers* at or before the date of initial application of the standard.

The new standard will likely have a significant impact on the Group and management is currently assessing the impact on adoption. It is anticipated that the following areas will be affected:

- Leased property and equipment
- Marine leases
- Crown leases
- Well-boat lease

The Group is currently assessing the impact of the new rules on the Group's financial statements and will assess the likely impact leading up to the adoption of the standard.

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 2016 $'000	Consolidated 2015 $'000
(a) Revenue from operations		
Revenue from the sale of goods	233,743	191,730
Interest income	66	975
Total revenue	**233,809**	**192,705**
(b) Other Income		
Supplier rebates and freight income	6,302	4,156
Government grants	783	858
Other	319	597
Total other income	**7,404**	**5,611**
Total revenue and other income	**241,213**	**198,316**

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 2016 $'000	Consolidated 2015 $'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	1,650	100
Expense:		
– expenses directly related to the initial public offering	–	653
– employee share offer pursuant to initial public offering	–	474
(b) Expenses		
Gross Depreciation of non-current assets	19,246	12,839
Gross Amortisation of non-current assets	420	361
Total Gross depreciation and amortisation	**19,666**	**13,200**
Depreciation – net impact recognised in changes in inventories of finished goods and work in progress	(2,032)	(3,822)
Net depreciation and amortisation	**17,634**	**9,378**
Interest & fees	3,259	3,345
Finance lease charges	–	6
Total finance costs	**3,259**	**3,351**
Employee benefits expense	48,867	47,228
Share-based payment expense	255	474
Mount Barker site rationalisation	–	250
Total employee benefits costs	**49,122**	**47,952**
Net (gain)/loss on disposal of property, plant and equipment	**(190)**	**(74)**

3. Biological assets

	Consolidated 2016 $'000	Consolidated 2015 $'000
Biological assets at fair value (i)		
Opening balance	151,837	122,834
Increase due to production	180,974	164,270
Decrease due to sales/harvest/mortality	(184,089)	(130,007)
Movement in fair value of biological assets	(1,505)	(5,260)
	147,217	**151,837**
Closing fair value adjustment on biological assets	29,365	30,870
Total weight of live finfish at sea (kg 000's)	12,075	15,949

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

Fair value measurement

	30 June 2016			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Biological Assets	–	–	147,217	147,217
Total financial assets recognised at fair value	–	–	147,217	147,217

	30 June 2015			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Biological Assets	–	–	151,837	151,837
Total financial assets recognised at fair value	–	–	151,837	151,837

Fair value measurements using significant unobservable input

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

Description	30 June 2016	30 June 2015
Biological assets at fair value ($'000)	147,217	151,837
Unobservable Inputs	Adjusted weight of live finfish for fair value measurement: 10,179 tonne	Adjusted weight of live finfish for fair value measurement: 14,522 tonne
	Price per HOG kg $14.22 to $14.72	Price per HOG kg $11.30 to $11.60
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 2016, 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 $856,860 higher/lower (2015: $1,278,179)
- A weight increase/decrease of 5% would have been a change of $1,468,226 higher/lower (2015: $1,543,492)

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 2016 cents per share	Consolidated 2015 cents per share
Earnings per ordinary share		
Basic (cents per share) (i)	3.92	20.99
Diluted (cents per share) (ii)	3.92	20.99

(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

	2016	2015
Number for basic EPS (i)	87,337,207	79,109,012
Number for diluted EPS (i)	87,337,207	79,109,012

(i) On 23 October 2014 the Company issued 26,344,661 ordinary shares as part of the IPO. This increased the number of shares on issue from 60,992,547 to 87,337,207.

Earnings used as the numerator in the calculation of EPS

	2016 $'000	2015 $'000
Earnings for basic EPS (i)	3,427	16,603
Earnings for diluted EPS (i)	3,427	16,603

(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 2016 $'000	Consolidated 2015 $'000
Fully paid ordinary shares		
Dividend at the rate of nil cents (2015: 1.31) per fully paid share	–	800
Total dividends provided for or paid	–	800

No dividends were paid or declared during the 2016 financial year.

On 3 October 2014, the Directors declared a fully franked dividend of 1.31 cents per share.

The dividend of $800,000 was declared to the members of Huon Aquaculture Group Limited prior to listing and paid on 22 October 2014.

	Consolidated 2016 $'000	Consolidated 2015 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2015: 30%)	15,625	15,896
	15,625	15,896

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 2016 $'000	Consolidated 2015 $'000
Land and buildings		
Freehold land		
Cost	5,512	3,898
Total land	**5,512**	**3,898**
Buildings		
Cost	39,994	19,313
Accumulated depreciation	(2,342)	(1,055)
Total buildings	**37,652**	**18,258**
Total land and buildings	**43,164**	**22,156**
Plant and equipment		
Plant and equipment		
Cost	245,368	203,953
Accumulated depreciation	(87,111)	(83,167)
Total plant and equipment	**158,257**	**120,786**
Capital work in progress		
Cost	9,069	41,552
Total capital work in progress	**9,069**	**41,552**
Leased plant and equipment		
Cost	–	–
Accumulated depreciation	–	–
Total leased plant and equipment	–	–
Total plant and equipment	**167,326**	**162,338**
Total property, plant and equipment	**210,490**	**184,494**

6. Property, plant and equipment (continued)

	Land and Buildings		Plant and Equipment			
Consolidated	Freehold $'000	Buildings $'000	Plant and equipment $'000	Leased plant and equipment $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2016						
Cost	5,512	39,994	245,368	–	9,069	299,943
Accumulated depreciation	–	(2,342)	(87,111)	–	–	(89,453)
Net Carrying amount	**5,512**	**37,652**	**158,257**	**–**	**9,069**	**210,490**
Movement						
Net carrying amount at the beginning of the year	3,898	18,258	120,786	–	41,552	184,494
Additions	764	1,600	635	–	–	2,999
Disposals and write-offs	–	–	(37)	–	–	(37)
Work In Progress Additions	–	–	–	–	41,565	41,565
Depreciation and amortisation	–	(1,287)	(17,959)	–	–	(19,246)
Acquisition in business combination	–	–	715	–	–	715
Capitalisation to asset categories	850	19,081	54,117	–	(74,048)	–
Transfers between classes	–	–	–	–	–	–
Net carrying amount at the end of the year	**5,512**	**37,652**	**158,257**	**–**	**9,069**	**210,490**

	Land and Buildings		Plant and Equipment			
Consolidated	Freehold $'000	Buildings $'000	Plant and equipment $'000	Leased plant and equipment $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2015						
Cost	3,898	19,313	203,953	–	41,552	268,716
Accumulated depreciation	–	(1,055)	(83,167)	–	–	(84,222)
Net Carrying amount	**3,898**	**18,258**	**120,786**	–	**41,552**	**184,494**
Movement						
Net carrying amount at the beginning of the year	1,282	6,508	59,928	373	27,353	95,444
Additions	2,616	12,197	264	–	–	15,077
Disposals and write-offs	–	–	(1)	–	–	(1)
Work In Progress Additions	–	–	–	–	86,813	86,813
Depreciation and amortisation	–	(447)	(12,392)	–	–	(12,839)
Capitalisation to asset categories	–	–	72,614	–	(72,614)	–
Transfers between classes	–	–	373	(373)	–	–
Net carrying amount at the end of the year	**3,898**	**18,258**	**120,786**	–	**41,552**	**184,494**

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.

Land is not depreciated.

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

Class of Fixed Asset	Useful Life
Buildings	10 – 20 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 2016 $'000	Consolidated 2015 $'000
Marine farming leases		
Cost	16,244	16,244
Accumulated amortisation	(6,072)	(5,652)
	10,172	**10,592**

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 2016 $'000	Consolidated 2015 $'000
Non-cancellable operating leases		
Not longer than 1 year	13,913	10,992
Longer than 1 year and not longer than 5 years	48,730	38,397
Longer than 5 years	16,832	24,279
	79,475	**73,668**

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 2016 $'000	Consolidated 2015 $'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	1,192	81
	1,192	**81**
Payable:		
Not longer than 1 year	1,192	81
Longer than 1 year and not longer than 5 years	–	–
Longer than 5 years	–	–
	1,192	**81**

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.

9. Business combination

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

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

Purchase consideration	$'000
Purchase consideration – cash paid	1,073

Acquisition values

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

Property, plant and equipment	715
Raw material and consumables	71
Goodwill	287
	1,073

(i) Acquisition related costs

Acquisition related costs of $60,850 are included in other expenses in the consolidated income statement and in operating cash flows in the consolidated statement of cash flows.

(ii) Goodwill

The goodwill is attributable to the operations existing distributions network, and synergies expected to arise after the group's acquisition of the operation. None of the goodwill is expected to be deducted for tax purposes. See note 29 for the changes in goodwill as a result of the acquisition.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $6,130,108 and net profit of $810,558 before tax to the group for the period from 2 July 2015 to 30 June 2016. If the acquisition had occurred on 1 July 2015, consolidated revenue and consolidated profit for the year ended 30 June 2016 would not have been different from the amounts disclosed in the consolidated income statement.

There were no acquisitions in the year ended 30 June 2015.

Recognition and measurement

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration amount arrangement; and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Net debt and working capital

10. Notes to the statement of cashflows

	Consolidated 2016 $'000	Consolidated 2015 $'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	3,787	13,799
	3,787	13,799
(b) Reconciliation of profit for the period to net cash inflow from operating activities:		
Profit for the period	3,427	16,603
Non-cash items		
Depreciation and amortisation	19,666	13,200
Net (gain)/loss on disposal of non-current assets	(190)	(74)
Share-based payment expense	255	474
(Increase)/decrease in assets		
Trade and other receivables	(3,825)	1,010
Inventories	5,128	(35,291)
Current tax receivable	4,354	–
Prepayments	1,710	(1,735)
Increase/(decrease) in liabilities		
Trade and other payables	(14,331)	23,457
Current tax liabilities	–	(12,166)
Deferred tax liabilities	628	7,010
Provisions	(34)	548
Other liabilities	(464)	4,278
Net cash inflow from operations	**16,324**	**17,314**

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.

11. Trade and other receivables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Trade receivables	20,468	17,718
Provision for impairment	(260)	(212)
Other receivables	3,268	2,069
	23,476	**19,575**
Provision for impairment		
Movements in the provision for impairment were as follows:		
Carrying value at the beginning of the year	(212)	(244)
Provision for impairment recognised	(48)	32
Receivables written off as uncollectable	–	–
Provision for impairment at year end	**(260)**	**(212)**
Trade receivables past due but not impaired		
Under one month	6,109	4,875
One to three months	122	515
Over three months	16	–
	6,247	**5,390**

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.

12. Inventories

	Consolidated 2016 $'000	Consolidated 2015 $'000
Processed fish & finished goods	5,722	5,129
Feed and packaging	5,509	6,421
Inventory provisions	(233)	(115)
	10,998	**11,435**

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.

13. Other assets

	Consolidated 2016 $'000	Consolidated 2015 $'000
Prepayments	2,615	4,325
	2,615	**4,325**

14. Trade and other payables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Trade payables	42,080	55,189
Other payables	3,217	4,206
Goods and services tax (GST) payable	–	233
	45,297	**59,628**

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.

15. Borrowings

	Consolidated 2016 $'000	Consolidated 2015 $'000
Current		
Secured		
Finance lease liabilities	–	–
Bank Loans	12,867	4,879
Other Loans	993	970
Unsecured		
Other loans	18	18
	13,878	**5,867**
Non-current		
Secured		
Finance lease liabilities	–	–
Bank Loans	51,931	40,852
Other Loans	–	–
Unsecured		
Other loans	48	64
	51,979	**40,916**
	65,857	**46,783**

The weighted average effective interest rate on the bank loans is 3.40% per annum (2015: 3.94% per annum).

	2016 $'000		2015 $'000	
	Limit	**Undrawn Balance**	**Limit**	**Undrawn Balance**
Term Loan	75,000	28,750	46,250	–
Term Loan	30,000	14,000	30,000	30,000
Working Capital	6,000	3,000	–	–
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	–	78,750	–
Aggregate Undrawn Balance	–	45,950	–	30,200

15. 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 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 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.

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 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 4.0 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.

16. Issued capital

	Consolidated 2016		Consolidated 2015	
	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.

		2016		2015	
	Note	No.	$'000	No.	$'000
(b) Movements in ordinary share capital					
At the beginning of the reporting period	(i)	87,337,207	164,302	1,848,259	42,937
Share subdivision	(ii)	–	–	59,144,288	–
Issue of new shares pursuant to initial public offering	(iii)	–	–	26,244,910	124,580
Less: Transaction costs arising on share issues			–		(5,270)
Deferred tax credit recognised directly in equity			–		1,581
Employee offer pursuant to initial public offering	(iii)	–	–	99,750	474
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.

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

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

(c) 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.

16. Issued capital (continued)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Total borrowings	65,857	46,783
Less cash and cash equivalents	(3,787)	(13,799)
Net debt	**62,070**	32,984
Total equity	**250,773**	247,091
Gearing ratio	**24.8%**	13.3%

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.

17. Other reserves

Share-based payment reserve

	Consolidated 2016 $'000	Consolidated 2015 $'000
Balance at the beginning of financial year	–	–
Share-based payment expense	255	–
Balance at the end of financial year	**255**	**–**

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 Senior Management as part of the LTI plan. Refer to note 26 for further details.

Other

18. Financial assets

	Consolidated 2016 $'000	Consolidated 2015 $'000
Investment in Salmon Enterprises of Tasmania Pty Ltd ("Saltas") (i)	1,341	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.

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

Recognition and Measurement

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

19. Other financial assets

	Consolidated 2016 $'000	Consolidated 2015 $'000
Derivatives carried at fair value		
Foreign currency forward contracts	71	147
	71	**147**

Refer to note 20 for fair value measurement and hierarchy.

20. 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.

20. 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 AASB139. 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.

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.

20. Fair value measurements (continued)

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.

21. 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 2016 $'000	Consolidated 2015 $'000
Financial Assets		
Cash and cash equivalents	3,787	13,799
Trade and other receivables	23,476	19,575
Derivative financial instruments	71	147
Total Financial Assets	**27,334**	**33,521**
Financial Liabilities		
Trade and other payables	45,297	59,628
Borrowings	65,857	46,783
Derivative financial instruments	–	–
Total Financial Liabilities	**111,154**	**106,411**

(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 22 and 27(c)(ii) for details). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

21. Financial risk management (continued)

(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 10) 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 2016 $'000	Consolidated 2015 $'000
Floating rate	–	–
Expiring within one year (bank loans)	3,000	–
Expiring beyond one year (bank loans)	42,750	30,000
	45,750	**30,000**

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.

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Over 5 years		Total	
Consolidated	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non derivatives								
Borrowings	32,480	7,721	70,159	44,995	–	–	102,639	52,717
Trade and other payables	45,297	59,628	–	–	–	–	45,297	59,628
Total expected outflows	**77,777**	**67,349**	**70,159**	**44,995**	**–**	**–**	**147,936**	**112,345**
Derivatives								
Net settled (forward foreign exchange contracts)								
– (inflow)	(71)	(147)	–	–	–	–	(71)	(147)
– outflow	–	–	–	–	–	–	–	–
Total expected (inflow)/outflow	**(71)**	**(147)**	**–**	**–**	**–**	**–**	**(71)**	**(147)**

(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 2016: 98% (2015: 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:

21. Financial risk management (continued)

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

	Weighted average interest rate		Consolidated notional principal value	
	2016 %	2015 %	2016 $'000	2015 $'000
Floating rate instruments				
Bank Loans	3.40%	3.94%	65,250	46,250
			65,250	**46,250**

Interest rate sensitivity analysis

At 30 June 2016, 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 $108,144 lower/$75,553 higher (2015 changes of 50bps/50bps: $280,275 higher/$280,275 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 2016 $'000	Consolidated 2015 $'000
Trade payables (import creditors)	2,040	2,001
Forward exchange contracts		
Buy foreign currency (cash flow hedges)	22,579	5,455
Sell foreign currency (cash flow hedges)	2,906	–

Consolidated Group sensitivity

Based on the financial instruments held at 30 June 2016, had the Australian dollar strengthened/weakened by 10% against the US dollar and the Euro with all other variables held constant, the Consolidated Group's pre-tax profit for the period would have been $2,192,527 higher/$1,793,886 lower (2015: $495,828 lower/$606,012 higher), 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.

22. 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 2016 $'000	Consolidated 2015 $'000
Statement of financial position		
Assets		
Current assets	167	4,357
Non-current assets	167,936	163,491
Total assets	**168,103**	**167,848**
Liabilities		
Current liabilities	–	–
Total liabilities	**–**	**–**
Equity		
Issued capital	164,302	164,302
Share-based payment reserve	255	–
Retained earnings	3,546	4,346
Dividends provided for or paid	–	(800)
Total equity	**168,103**	**167,848**
Financial performance		
Loss for the period	–	228
Total comprehensive income	**–**	**228**

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.

Transactions with related entities

The loss of the Parent Entity shown above is due to the recognition of expenditure that as incurred by a related entity as part of the listing process and has been recharged to the parent.

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.

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 $1,225,809 (tax effected at 30%) (2015: $1,695,219 (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.

22. Parent information (continued)

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.

23. Deed of cross guarantee

The wholly-owned subsidiaries disclosed in note 31 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 Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The closed group financial information for 2016 is identical to the financial information included in the consolidated financial statements. The 2015 comparatives have been retained, at which time only Huon Aquaculture Group Limited and Huon Aquaculture Company Pty Ltd were included in the closed group. During the current financial year, the remaining wholly-owned subsidiaries became a party to the deed of cross guarantee dated 28 June 2016.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Class Order, 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'.

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2016 of the closed group consisting of Huon Aquaculture Group Limited and its wholly-owned subsidiaries. The comparative information for 2015 is based on the entities which were included in the closed group at that time – refer note 31.

Consolidated income statement
For the year ended 30 June 2016

	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue from continuing operations	233,809	176,980
Other income	7,404	5,431
Expenses		
Fair value adjustment of biological assets	(1,505)	(5,260)
Changes in inventories of finished goods and work in progress	(3,552)	40,551
Raw materials and consumables used	(130,804)	(114,478)
Employee benefits expense	(49,122)	(42,815)
Depreciation and amortisation expense	(19,666)	(12,420)
Finance costs	(3,259)	(3,350)
Freight and distribution expense	(16,009)	(10,471)
Other expenses	(13,242)	(10,216)
Total expenses	**(237,159)**	**(158,459)**
Profit before income tax expense	**4,054**	**23,952**
Income tax expense	(627)	(6,309)
Net profit for the period attributable to members of the Company	**3,427**	**17,643**

23. Deed of cross guarantee (continued)

Consolidated statement of comprehensive income
For the year ended 30 June 2016

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit for the period	3,427	17,643
Other comprehensive income	–	–
Total comprehensive income for the period (net of tax)	**3,427**	**17,643**
Total comprehensive income attributable to:		
Owners of Huon Aquaculture Group Limited	3,427	17,643
	3,427	**17,643**

Consolidated statement of changes in equity
For the year ended 30 June 2016

Consolidated	Contributed Equity $'000	Retained Earnings $'000	Share-based Payment Reserve $'000	Total Equity $'000
Balance at 1 July 2014	**42,937**	**79,805**	**–**	**122,742**
Profit for the period	–	17,643	–	17,643
Total other comprehensive income for the year, net of tax	–	–	–	–
Contributions of equity, net of transactions costs	121,365	–	–	121,365
Dividends paid or provided for	–	(800)	–	(800)
Balance at 30 June 2015[1]	**164,302**	**96,648**	**–**	**260,950**

Consolidated	Contributed Equity $'000	Retained Earnings $'000	Share-based Payment Reserve $'000	Total Equity $'000
Balance at 1 July 2015[1]	**164,302**	**82,789**	**–**	**247,091**
Profit for the period	–	3,427	–	3,427
Total other comprehensive income for the year, net of tax	–	–	–	–
Contributions of equity, net of transactions costs	–	–	–	–
Share-based payment expense	–	–	255	255
Dividends paid or provided for	–	–	–	–
Balance at 30 June 2016	**164,302**	**86,216**	**255**	**250,773**

1 The figures presented in the consolidated statement of changes in equity for 2016 are equal to the figures presented for the Consolidated Group as Huon Aquaculture Group Limited and all its wholly-owned subsidiaries are now part of a closed group.

23. Deed of cross guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2016 of the closed group consisting of Huon Aquaculture Group Limited and its wholly-owned subsidiaries.

	Consolidated 2016 $'000	Consolidated 2015 $'000
Assets		
Current assets		
Cash and cash equivalents	3,787	13,690
Trade and other receivables	23,476	18,480
Inventories	10,998	10,953
Biological assets	147,217	149,821
Other financial assets	71	30,834
Current tax assets	3	4,357
Other assets	2,615	4,285
Total current assets	**188,167**	**232,420**
Non-current assets		
Financial assets	1,341	1,341
Property, plant and equipment	210,490	176,589
Other assets	10,172	4,363
Intangible assets	2,995	80
Total non-current assets	**224,998**	**182,373**
Total assets	**413,165**	**414,793**
Liabilities		
Current liabilities		
Trade and other payables	45,297	58,642
Borrowings	13,878	5,867
Other financial liabilities	–	–
Current tax liabilities	–	–
Provisions	4,800	4,372
Other current liabilities	464	–
Total current liabilities	**64,439**	**68,881**
Non-current liabilities		
Borrowings	51,979	40,916
Deferred tax liabilities	41,313	38,400
Provisions	1,311	1,368
Other non-current liabilities	3,350	4,278
Total non-current liabilities	**97,953**	**84,962**
Total liabilities	**162,392**	**153,843**
Net assets	**250,773**	**260,950**
Equity		
Contributed equity	164,302	164,302
Share-based payment reserve	255	–
Retained earnings	86,216	96,648
Total equity	**250,773**	**260,950**

24. Income tax

	Consolidated 2016 $'000	Consolidated 2015 $'000
(a) Income tax recognised in profit or loss:		
Tax (expense)/income comprises:		
Current tax (expense)/income	1,387	1,831
Adjustments for current tax of prior periods	(1,386)	896
Increase in deferred tax assets	1,701	922
Increase in deferred tax liabilities	(2,329)	(9,508)
Total tax expense	**(627)**	**(5,859)**
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	**4,054**	**22,462**
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2015: 30%) for the Consolidated Group.	(1,216)	(6,739)
Adjustment recognised in the current year in relation to prior years:		
Research and development	599	799
Other	–	97
Non-tax deductible items	(10)	(16)
Income tax (expense)	**(627)**	**(5,859)**
The applicable weighted average effective tax rates are as follows:	15.5%	26.1%
(b) Income tax recognised directly in equity:		
Deferred tax:		
Share issue costs	–	1,581
	–	1,581
(c) Current tax balances:		
Current tax receivables comprise:		
Income tax receivable attributable to:		
Entities in the tax-Consolidated Group	3	4,357
Net current tax balance	3	4,357
Current tax liabilities comprise:		
Income tax payable attributable to:	–	–
Entities in the tax-Consolidated Group	–	–
Net current tax balance	–	–

24. Income tax (continued)

(d) Deferred tax balances:

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

2016	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities:				
Biological assets	(42,655)	1,988	–	(40,667)
Property, plant and equipment	(2,022)	(4,418)	–	(6,440)
Trade and other receivables	–	(72)	–	(72)
Other non-current assets	(2,326)	126	–	(2,200)
Other financial assets	(435)	47	–	(388)
	(47,438)	**(2,329)**	**–**	**(49,767)**
Gross deferred tax assets:				
Provisions	1,843	(10)	–	1,833
Other financial assets	–	–	–	–
Trade and other receivables	20	37	–	57
Property, plant and equipment	297	(83)	–	214
Other intangibles	2	1	–	3
Share issue expenses	1,265	(239)	–	1,026
Tax Losses	1,831	2,179	–	4,010
Borrowing costs	–	4	–	4
Share-based payments	–	76	–	76
Deferred Revenue	1,283	(139)	–	1,144
Trade and other payables	212	(125)	–	87
	6,753	**1,701**	**–**	**8,454**
Net deferred tax asset/(liability)	**(40,685)**	**(628)**	**–**	**(41,313)**

2015	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities:				
Biological assets	(34,694)	(7,961)	–	(42,655)
Property, plant and equipment	(693)	(1,329)	–	(2,022)
Other non-current assets	(2,434)	108	–	(2,326)
Other financial assets	(109)	(326)	–	(435)
	(37,930)	**(9,508)**	**–**	**(47,438)**
Gross deferred tax assets:				
Provisions	1,679	164	–	1,843
Other financial assets	150	(150)	–	–
Trade and other receivables	91	(71)	–	20
Property, plant and equipment	295	2	–	297
Other intangibles	3	(1)	–	2
Share issue expense	–	(316)	1,581	1,265
Tax Losses	–	1,831	–	1,831
Deferred Revenue	–	1,283	–	1,283
Trade and other payables	456	(244)	–	212
	2,674	**2,498**	**1,581**	**6,753**
Net deferred tax asset/(liability)	**(35,256)**	**(7,010)**	**1,581**	**(40,685)**

24. Income tax (continued)

Recognition and measurement

(Refer to note 22 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.

25. Key management personnel compensation

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

	Consolidated 2016 $	Consolidated 2015 $
Short-term employee benefits	1,576,944	1,632,510
Post-employment benefits	168,469	164,492
Long-term benefits	–	–
Termination benefits	–	–
Share-based payments	–	–
	1,745,413	**1,797,002**

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

26. Share-based payment

(a) Share-based payment arrangements

During the year ended 30 June 2016, the Group has issued a share-based payment plan, the Long-Term Incentive Plan ("the Plan") which involves performance rights to acquire shares in Huon Aquaculture Group Limited. These rights are granted to the Chief Executive Officer and certain senior management personnel as part of their long-term incentive (LTI) plans. The Plan is designed to:

- assist in the motivation, retention and reward of employees, including the Chief Executive Officer and members of senior 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

The performance rights issued under the Plan will vest in three equal tranches. The performance rights allocated in each tranche will vest on the applicable Vesting Date to the extent performance based conditions are achieved in the relevant performance period. The number of performance rights to be issued and the performance periods applicable to each of the performance based performance conditions are as follows:

Tranche	No. of Performance Rights	Performance Period
1	108,617	1 July 2015 – 30 June 2016
2	108,617	1 July 2015 – 30 June 2017
3	108,617	1 July 2015 – 30 June 2018

Performance conditions

Under the Plan, performance rights were issued to the Chief Executive Officer and members of senior 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 senior 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.

26. Share-based payment (continued)

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%

(b) Performance rights granted

Set out below is a summary of performance rights granted under the LTI plan during the current financial year. There were no performance rights granted in the previous financial year, therefore no comparative information has been presented.

	Number of Equity Instruments				
	Outstanding at 1 July 2015	Granted	Forfeited	Outstanding at 30 June 2016	Exercisable at 30 June 2016
Tranche 1	–	108,617	(108,617)	–	–
Tranche 2	–	108,617	–	108,617	–
Tranche 3	–	108,617	–	108,617	–

26. Share-based payment (continued)

(c) Fair value of performance rights granted

For the performance rights granted, the fair values were measured at the respective grant dates, 25 November 2015 for those granted to the Chief Executive Officer, and 19 October 2015 for those granted to senior 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	$4.04	$4.01
Dividend yield (per annum effective)	0%	0%
Risk free discount rate (per annum)	2.67%	2.67%
Expected price volatility	29.9%	29.9%
Term of performance right	1-3 years	1-3 years
Fair value of performance right	$4.04	$4.01

The expense recognised in relation to performance rights applicable to the Chief Executive Officer and senior management for the year ended 30 June 2016 is $254,910 (2015: Nil).

Recognition and measurement

The Group provides benefits to the Chief Executive Officer and certain senior 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 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 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.

27. Related party transactions

Identity of related parties

The following persons and entities are regarded as related parties:

(a) Controlled entities:

Refer to note 31 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 2016 $	Consolidated 2015 $
(i) Compensation of KMP		
Details of KMP compensation are disclosed in the Remuneration Report and in note 25 to the financial statements.		
(ii) Compensation of close family members		
Other transactions		
Short-term employee benefits	125,726	132,371
Superannuation Contributions		
Contributions to superannuation funds on behalf of employees	8,890	11,379
(iii) Dividend revenue		
Key Management Personnel	–	800,000
(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	–	5,793,700
Leases of assets	402,982	175,681
	402,982	5,969,381
(v) Outstanding balances arising from sales/purchases of goods and services		
Current Payables:		
Entities controlled by close family members	126,160	120,151
Entities controlled by key management personnel	–	–
	126,160	120,151

27. Related party transactions (continued)

(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 2016 $	Consolidated 2015 $
Salmon Enterprises of Tasmania Pty Ltd	698,043	1,091,088

(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 Consolidated Group's guarantee is for $0.98 million.

28. 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 2016 $	Consolidated 2015 $
(a) PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	240,000	175,000
Other assurance services – audit of grant acquittal	–	3,500
Total remuneration for audit and other assurance services	240,000	178,500
(ii) Taxation & other advisory services		
Taxation & other advisory services	5,100	–
IPO due diligence	–	215,000
IPO taxation and remuneration related services	–	127,000
Other advisory services	5,142	28,000
Total remuneration for taxation and other advisory services	10,242	370,000
Total remuneration of PricewaterhouseCoopers Australia	**250,242**	**548,500**
(b) Non PricewaterhouseCoopers firms		
(i) Audit and other assurance services		
Other assurance services	37,890	–
Total remuneration for audit and other assurance services	37,890	–
(ii) Taxation services		
Taxation advisory services	209,312	154,679
Total remuneration for taxation services	209,312	154,679
(iii) Other services		
Legal services	–	–
Total remuneration for other services	–	–
Total remuneration of non-PricewaterhouseCoopers firms	**247,202**	**154,679**

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

29. Goodwill

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Gross carrying amount			
Balance at the beginning of financial year		4,209	4,209
Additions	9	287	–
Balance at the end of financial year		**4,496**	**4,209**
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		2,608	2,608
Balance at the end of financial year		**2,895**	**2,608**

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.

Goodwill acquired during the year relates to the acquisition of the processing plant in Sydney. Refer to note 9 for further details of the acquisition.

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.

29. 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 FY2016, 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 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 2015 and 2016 reflect changes in the anticipated timing of future cash flows.

	2016	2015
Long-term growth rate	3.0%	3.0%
Pre-tax discount rate	15.0%	15.4%

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.

30. Other Intangible Assets

	Consolidated 2016 $'000	Consolidated 2015 $'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 29 for impairment tests for other intangible assets.

31. 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.

Name of subsidiary	Principal place of business	Note	Ownership interest held by the Consolidated Group 2016 %	2015 %
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.

Pursuant to ASIC Class Order 98/1418 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 23 for further details.

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

32. Other Financial Liabilities

	Consolidated 2016 $'000	Consolidated 2015 $'000
Derivatives carried at fair value		
Foreign currency forward contracts	–	–
	–	–

Refer to note 20 for fair value measurement and hierarchy.

33. Provisions

	Consolidated 2016 $'000	Consolidated 2015 $'000
Provisions		
Current		
Employee benefits	4,800	4,777
Non-current		
Employee benefits	1,311	1,368
	6,111	**6,145**

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 $3,599 (2015: $3,585) 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 2016 $'000	Consolidated 2015 $'000
Leave obligations expected to be settled after 12 months	3,628	2,293

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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

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

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.

34. Other liabilities

	Consolidated 2016 $'000	Consolidated 2015 $'000
Deferred government grants		
Current	464	464
Non-Current	3,350	3,814
	3,814	**4,278**

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 $464,000 (2015: $722,000) 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.

35. Contingent liabilities and contingent assets

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

36. 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 2016 $'000	Consolidated 2015 $'000
Revenue from the sale of goods			
Domestic market		175,123	163,323
Export market		58,620	28,407
Total revenue from the sale of goods	1(a)	**233,743**	**191,730**
Results from segment activities			
Domestic market		34,289	47,623
Export market		1,566	590
Total results from segment activities		**35,855**	**48,213**
Unallocated		(1,599)	1,146
Interest income		66	975
Other income		7,404	5,611
Fair value adjustment of biological assets		(1,505)	(5,260)
Depreciation and amortisation expense		(19,666)	(13,200)
Finance costs		(3,259)	(3,351)
Other expenses		(13,242)	(11,672)
Profit before income tax expense		**4,054**	**22,462**

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

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

The chief operating decision maker only reviews export market sales.

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

37. Subsequent events

During FY2016 Huon experienced issues with fish feed supplied by Ridley AgriProducts Pty Ltd and withheld payment of $17,579,116. On 16 August 2016 Huon was issued with proceedings to recover the withheld amount. Huon will be defending the proceedings and progressing its own claims arising from the feed issues. The Consolidated Group has recognised the amount and recorded it in trade payables as a current liability as at 30 June 2016.

38. 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 44 to 92 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 2016 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 31 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 23.

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 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

Peter Margin
Chairman
Date: 30 August 2016

Peter Bender
Managing Director and CEO
Date: 30 August 2016

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

Report on the financial report

We have audited the accompanying financial report of Huon Aquaculture Group Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2016, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Huon Aquaculture Group Limited group (the Consolidated Entity). The consolidated Entity comprises the Company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO BOX 1331, MELBOURNE VIC 3001
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Independent auditor's report (continued)

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

Report on the financial report (continued)

Auditor's opinion

In our opinion:

(a) the financial report of Huon Aquaculture Group Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated Entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in the Basis of Preparation section to the notes to the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 23 to 32 of the directors' report for the year ended 30 June 2016. 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.

Auditor's opinion

In our opinion, the remuneration report of Huon Aquaculture Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Daniel Rosenberg
Partner

Melbourne
30 August 2016

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 19 August 2016.

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	Percentage
Peter Bender	14,848,477	17.00%
Frances Bender (spouse of Peter Bender)	5,794	0.01%
Surveyors Investments Pty Ltd	44,527,252	50.98%
Mr Peter Bender & Mrs Frances Bender <PJ & FR Bender Family A/C>	60,000	0.07%

Distribution of securities

Range	No. of holders	Number of shares	Percentage
100,001 and Over	17	83,063,390	95.11%
10,001 to 100,000	76	1,733,122	1.98%
5,001 to 10,000	140	1,078,371	1.23%
1,001 to 5,000	445	1,140,952	1.31%
1 to 1,000	857	321,372	0.37%
Total	**1,535**	**87,337,207**	**100.00%**

The number of holders of less than a marketable parcel of ordinary shares, equivalent to 156 ordinary shares, was 68 and they held 5,918shares (based on a market price of $3.20 at the close of trading on 19 August 2016.

Shareholder information (continued)

Top 20 largest shareholders

Rank	Name	19 Aug 2016	%IC
1	SURVEYORS INVESTMENTS PTY LTD ACN 602 004 179	44,527,252	50.98%
2	PETER JAMES BENDER	14,848,477	17.00%
3	CITICORP NOMINEES PTY LIMITED	5,282,051	6.05%
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,856,733	5.56%
5	NATIONAL NOMINEES LIMITED	3,567,930	4.09%
6	UBS NOMINEES PTY LTD	2,247,409	2.57%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,000,153	2.29%
8	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	1,026,272	1.18%
9	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	932,567	1.07%
10	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MBA A/C>	768,000	0.88%
11	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	652,722	0.75%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	559,168	0.64%
13	BOND STREET CUSTODIANS LTD <MACQUARIE SMALLER CO'S A/C>	546,600	0.63%
14	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	453,552	0.52%
15	BNP PARIBAS NOMS PTY LTD <DRP>	427,033	0.49%
16	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	237,471	0.27%
17	INVIA CUSTODIAN PTY LIMITED <AKAY SUPER FUND A/C>	130,000	0.15%
18	CHRISTOPHER CHONG	73,700	0.08%
19	CHARLES & CORNELIA GOODE FOUNDATION PTY LTD <CCG FOUNDATION A/C>	70,000	0.08%
20	WAL ASSETS PTY LTD <THE L A WILSON PROPERTY A/C>	62,632	0.07%
Total		83,269,722	95.34%
Balance of register		4,067,485	4.66%
Grand total		**87,337,207**	**100.00%**

Restricted equity securities

Company employees were offered the right to subscribe for $1000 worth of shares for nil consideration during the Initial Public Offer. In accordance with the requirements of Australian tax legislation, shares acquired under the Tax Exempt Plan cannot be transferred, assigned or otherwise dealt with until the earlier of three years after the date of issue and the date on which the holder of those Shares ceases to be an employee of the Company. The number of shares restricted is 69,300.

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: 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 b. a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; (b) members of the Company approve any compromise or arrangement referred to in paragraph (a); (c) any person becomes bound or entitled to acquire shares in the Company under: a. any compromise or arrangement referred to in paragraph (a) which has been approved by the Court; b. section 414 of the Corporations Act; or c. Part 6A.1 or Part 6A.2 of the Corporations Act; (d) a resolution is proposed to be put to shareholders proposing a voluntary winding up; or (e) an order is sought for the compulsory winding up of the Company.
Controlled Growth Strategy	The strategy under which Huon plans 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

Glossary of Terms (continued)

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
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 these 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
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
- Peter Margin, Chairman
- Peter Bender, Managing Director and CEO
- Frances Bender, Executive Director
- Neil Kearney, 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

Company Secretary
- Thomas Haselgrove

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

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huonaqua@huonaqua.com.au
www.huonaqua.com.au

Principal Place of Business
Huon Aquaculture Group Limited
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Dover TAS 7109

Auditor
PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

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

Rabo Bank
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

CARBON NEUTRAL CERTIFICATION RECYCLED CONTENT FOREST MANAGEMENT

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