DELIVERING SUSTAINABLE GROWTH

HUON AQUACULTURE

HUON AQUACULTURE GROUP LIMITED

ANNUAL REPORT 2017

Contents

Annual General Meeting

The 2017 Annual General Meeting
of Huon Aquaculture Group Limited
will be held at The Henry Jones Art Hotel
25 Hunter St, Hobart,
November 30, 2017

Huon Aquaculture has delivered its strongest profit on record with the full productivity benefits from the Controlled Growth Strategy on track to start delivering in FY2018.

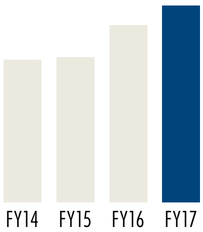
Financial highlights

Sales Revenue

$259.5M

2016: $233.7m

11%



Operating EBITDA

$62.8M

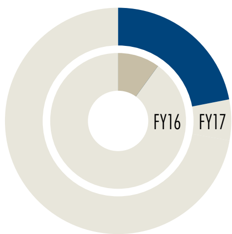
2016: $26.4m

138%

Retail Market Sales

22%

2016: 10%



Inaugural Dividend

5c/s

Dividend of 5 cents per share totaling $4.4m franked to 50%.

Operational highlights

- Record revenues as a result of continued stable pricing in the domestic market supported by the sustained uplift in international salmon pricing.
- While tonnages were slightly down this year as a result of the accelerated harvest in FY2016, average fish weight improved significantly as a result of improved fish feed diets combined with ideal growing conditions during a mild winter and a cooler than average summer.
- Operating EBITDA increased 138% underpinned by stronger prices, a more balanced channel mix and improved margins compared to the previous two years.
- New sales agreements resulted in 23% of production volume being directed into the retail market, providing a better balance to Huon's sales channel mix and greater certainty in planning future production.
- Despite starting the year with a lower biomass than normal, the value of Huon's biomass at year end increased by $40.8 million, including a fair value uplift of $19.2 million, to a record level of $188.0 million, reflecting the return to higher fish weights and improved pricing environment and channel mix.
- Operating costs continued to be affected by the difficult growing conditions experienced in the second half of FY2016 and the additional efforts required to rebuild the 2015 Year Class which had been impacted by the issues associated with poor feed. Average production costs (per HOG kg) in the second half of FY2017, however fell by 12% compared to the previous corresponding period (pcp), supporting the forecasted trend of declining costs as productivity benefits start to flow through into FY2018.
- Cash flow from operations increased during the year to $54.0 million compared to $16.3 million in FY2016 delivering a strong cash balance of $23.0 million at year end.
- The operating environment globally continues to be supportive of salmon prices being sustained at current levels due to the fundamental supply demand imbalance as some of the major salmon producing countries struggle to manage problems such as sea lice.

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.

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:
More environmentally appropriate locations.

Reduced visual and noise impact on the community:
Off-shore sites are less visible from the land and the sound of boats is less, as boat traffic has both decreased and is further away from shore.

Improved biosecurity:
By moving individual leases further away from one another and from other sites, we are future-proofing our farms and improving biosecurity.

WHAT WE DO

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

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

Hatcheries:

The hatchery allows us to mirror the natural life-cycle of salmon, as well as allowing us to naturally synchronise growth in a way that enables supply of fresh, healthy fish all year round.

Huon's new Forest Home Hatchery is a second generation recirculation hatchery that delivers outstanding smolt quality and larger smolt sizes with a reduced environmental footprint.

Nurseries:

Huon is proposing to build Australia's first onshore Salmon Nursery. This facility will see smolt grown on land to much larger sizes before being transferred to sea and will be built at the Company's industrial site at Whale Point in Port Huon.

The aim is to reduce the time salmon spend at sea to less than 12 months. This has several benefits including better managing of existing leases, reducing our environmental impact, reducing the potential for marine debris, and minimising the risk of predation. Huon is expecting the new Salmon Nursery to be operational in FY2019.

Marine Farms:

Huon's fish are grown in three marine regions: the Huon and D'Entrecasteaux Channel; Macquarie Harbour; and offshore in Storm Bay.

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

Feeding:

Huon continues to make advancements in feed systems that result in improved fish performance and has; recently upgraded its pellet recognition software, increased automation of feed delivery systems and developed remote, shore-based feeding capabilities.

Harvesting:

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

Processing:

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

CHAIRMAN'S MESSAGE

Neil Kearney
Chairman

– Investing for long-term growth
– Managing risk in a volatile environment
– Securing our sustainable future

In August 2016, I was honoured to succeed Peter Margin as Chairman of the Board of Huon Aquaculture (Huon), having served as a Director of the Company since ASX listing in 2014.

As founding Chairman of Huon, Peter guided the business through a volatile period and having co-operated closely together around the Board table for nearly two years, my transition to the role of Chairman has been smooth.

It is a pleasure to review our performance in FY2017, a year of record earnings for the Company. Our financial performance improved significantly over that of FY2016, as the positive impacts of the full implementation of the Controlled Growth Strategy (CGS) and strong increases in market demand enabled us to improve margins significantly, resulting in substantial growth in Operating EBITDA.

The completion of the CGS in FY2016 substantially de-risked the business and introduced long-term and sustainable efficiency gains. Domestic demand for salmon continues to grow at around 10% p.a. and, with strengthening margins and stable market conditions, Huon has sound prospects for further healthy earnings growth in FY2018 and FY2019.

However, the Company believes that, if it is to grow and prosper over the long term, it must maintain broad social acceptance of its operations. Consistent with that approach, a key goal of the CGS was the introduction of new hatcheries, seal-proof offshore Fortress Pens, feed barges and mooring systems and lease site optimisation to reduce Huon's impact on the environment.

Business Performance

In FY2017 Huon's operating EBITDA, at $62.8 million, was $36.4 million higher than in the previous corresponding period (pcp), as ongoing efficiency savings and strong sales growth led to substantial margin improvement.

Huon achieved a statutory net profit after tax (NPAT) of $42.2 million, a substantial improvement on the unsatisfactory FY2016 NPAT result of $3.4 million, which was severely affected by that year's early harvest (necessitated by climatic factors), poor feed performance and by adverse market conditions.

We believe that the earnings volatility that has affected our business in recent years is now largely behind us, although Huon, in common with all aquaculture businesses, is subject to the effect of local and international growing conditions.

Board and management expect that the combined effect of buoyant prices, strong performance from the 2016 Year Class and productivity gains being delivered as forecast from the CGS will underpin further growth in profit in FY2018.

The Company's balance sheet remained strong at the end of FY2017, with Huon's total gearing ratio declining to a comfortable 14.7% (net debt/net assets) from 24.8% a year earlier.

Strategy

It is hard to overstate the importance of our 2014-16 CGS investment, which has strengthened each stage of our production process, including our ability to respond quickly to extreme weather events and other risks.

The Huon three pillar business strategy

Growing the market	Growing production and operational efficiency	Growing safely and sustainability

However, the Company is not resting on its laurels and we are continuing to invest significantly in research and development to secure our sustainable future. Huon is not only getting the production basics right but is also creating opportunities through technical and market development and innovative efficiency projects.

Huon is currently considering the potential of greater species diversification that leverages the Company's technological advancements and applies its aquaculture expertise, demonstrated by Huon's current Yellowtail Kingfish trial in NSW.

The production of high quality farmed salmon remains Huon's core business and we will ensure that our salmon farming production techniques continue to be benchmarked to the world's best. We will continually improve our business efficiencies and maximise Huon's channel marketing opportunities.

In this context, it is pleasing that in FY2017 the proportion of our salmon production sold into the Australian retail market channel increased to 22% from less than 10% in the pcp.

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

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

Dividend Policy

In light of the significant turnaround in Huon's earnings performance in FY2017 and following consideration of the capital needs of the business, Directors have declared an inaugural dividend of 5 cents per share for 2017, franked at 50%. The dividend will be paid on 12 October 2017 to shareholders as at the record date of 22 September 2017.

It is the Board's intention to maintain an annual dividend payout ratio of up to 35% of net operating profit after tax, subject to the financing and capital expenditure requirements of the Company.

Huon's ability to pay dividends and the extent to which they are franked, will depend on a number of external factors, such as extreme climatic conditions and issues relating to animal husbandry which are beyond the Company's control.

At Huon's current stage of growth, it is likely that tax payable by the Company will remain low. As a result, it is expected that future franking rates will remain consistent with the 50% rate provided in the current dividend.

Litigation

My review would not be complete without a brief comment on recent and ongoing legal matters.

The Board is pleased that the commercial dispute with Ridley AgriProducts was resolved through a mediated settlement agreed in June 2017. This resulted in compensation payable to Huon of $4.5 million, which was recognised in the FY2017 accounts.

Early in 2017 Huon commenced proceedings in the Supreme Court of Tasmania and in the Federal Court of Australia seeking review of the decisions of the Tasmanian Environmental Authority that set biomass levels for the Harbour and for declarations that the current Federal Minister's decision is invalid in that it leaves the determination of biomass to the Tasmanian Government and the Tasmanian Environmental Protection Authority and that they are failing in their duty to protect World Heritage listed Macquarie Harbour (and the endangered Maugean skate) by permitting biomass levels in the Harbour to remain at unsustainable levels.

Huon's view, based on publicly available reports from the Institute of Marine and Antarctic Studies (the best available scientific evidence), is that the Harbour cannot currently sustain a biomass of greater than 10,000 tonnes and we are continuing to pursue the legal means available to us to protect this precious Tasmanian water resource and the endangered species that it contains whilst ensuring its long-term viability for salmon-farming.

The litigation is ongoing.

Conclusion

Your Directors are confident that the turnaround in Huon's earnings performance in FY2017 reflects the soundness of the Company's business strategy and that continuing growth in revenue and earnings is sustainable.

The full impact of our CGS investment, as measured by substantially improved operating efficiencies, is expected to deliver further earnings growth in the current year and beyond.

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

Neil Kearney, Chairman

GROW

THE MARKET THROUGH INCREASED CONSUMPTION, OPTIMISED CHANNEL MIX AND ENHANCEMENT OF SALES AND BRAND VALUE.

Consumption
Average per person consumption of salmon

Optimised channel mix

Balancing Huon's channel mix has been a strategic objective for the business for some time. The wholesale and export markets have been the primary channels through which the majority of our production has been sold in the past. The retail market has rarely accounted for more than 10% of total sales. However a key development at the beginning of the year was the execution of new sales agreements resulting in 23% of production volume being directed into the retail market.

While the wholesale market will continue to be Huon's primary sales channel, we now have a better balance in relation to sales through both the retail and export markets which provides a level of certainty in planning future production.

Increased consumption

The domestic salmon market has been averaging growth of around 10% p.a. over the past decade and this rate is expected to continue in coming years due to increasing cost of other proteins relative to salmon, stagnation in wild caught seafood supply and healthy eating trends. Average per head consumption of salmon in Australia is around 1.9kg, well below other developed countries such as France, UK, Germany, Belgium and Holland (2.1–3.2kg) and 6.3–8.3kg for Scandinavian countries. A big part of rapid market growth in those countries in recent years has been in the fresh modified atmospheric packaging (MAP) salmon market.

Huon has been supplying the MAP/chilled packaged salmon market in Australia for the past 5 years and is well placed to take advantage of the growth potential offered by this segment, based on trends offshore. Huon currently supplies an estimated 47% of the Australian chilled packaged salmon market.

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1. Newly launched Premium Gin and Kaffir Lime Cured salmon
2. Newly launched Premium Thai Lemongrass Wood Roasted salmon
3. Fresh salmon fillet
4. Reserve Selection salmon caviar
5. Masaki Kayama making fresh salmon ngiri
6. Versatile Wood Roasted salmon
7. MAP/chilled packaged salmon

Brand value

Huon branded salmon is available in pre-packed, MAP, frozen, smoked or cured formats in over 2000 retail outlets across the country including Coles, Woolworths, Aldi, Costco and independent retailers. The Huon name is also displayed proudly on countless restaurant and food service menus throughout Australia as a signifier of superior quality and pride in provenance.

In addition, our salmon can also be bought under the Coles, John West, Almare and Created With Jamie (Woolworths) private label brands.

Continued focus will be placed on differentiating the Huon brand from generic Atlantic salmon in the market (both domestic and imported) in the coming year to ensure that consumers, as well as wholesalers and chefs, understand the quality promise that comes with the Huon name.

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EXPAND

PRODUCTION AND ENHANCE OPERATIONAL EFFICIENCY THROUGH LONG-TERM INVESTMENT AND MARINE LEASE OPTIMISATION.

Sustainability through innovation

Huon's primary focus since 2014 has been on reinvesting in the business to drive **operational efficiency**. We have upgraded every facet of our operation to ensure we are accessing the latest technologies and delivering best practice farming methods.

- **Custom designed fortress pens** have been introduced across all our lease sites, reducing mortality rates from seal incursions to minimal levels and improving worker safety, particularly in high energy, offshore sites.
- **Mooring systems specifically designed** for the Fortress Pens to be safely moored in high energy sites like Storm Bay.
- Feed barges have been installed with **innovative feed delivery systems** that improve feeding of fish to appetite and results in improved growth and reduced feed wasteage. Over the past year this process has been automated creating a safer working environment under certain weather conditions in our offshore sites.
- The introduction of the well-boat, the 'Ronja Huon', in 2015 has **revolutionised the way we farm our fish**, from transporting smolt to sea and bathing, to transporting them to harvest. As a result, we no longer need to tow pens, a process which has a high associated cost and safety risk to staff particularly when servicing our offshore sites in Storm Bay.
- **Construction of a state of the art recirculation hatchery** (Forest Home) on the Huon River has increased our smolt capacity by 50%, producing larger and better quality smolt and enabling more efficient transfer of smolt to sea.

These investments have also created **a robust platform for planned production expansion** to supply the increasing demand for our product in Australia and overseas.


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1. Parramatta Creek processing facility
2. Huon Premium range packaging
3. Smolt tanks at Forest Home Hatchery
4. Feedbardge
5. Ronja Huon well-boat

Further expansion

Huon Aquaculture are already looking ahead to the next five years.

- Making plans for the construction of a large, onshore grow out facility, known as a salmon nursery, at our existing industrial site at Whale Point in Port Huon which will see smolt grown on land to much larger sizes before being transferred to sea.
- We are also preparing for the next generation well boat which will be double in size and built to Huon's specifications. The 'Ronja Storm' will be ready for delivery in 2019.

The growth of Huon's business is tied to an increased commitment to moving its operations offshore to Storm Bay reducing our exposure to fragile waterways such as Macquarie Harbour, whilst fully utilising the Company's existing intermediate sites in the Huon River and D'Entrecasteaux Channel to support the off-shore expansion.

ENSURE

THE BUSINESS REMAINS STRONG BY ACTIVELY MANAGING THE RISKS INHERENT IN AQUACULTURE AND MANAGING ENVIRONMENTS SUSTAINABLY.

Biosecure farming regions

Over many years, Huon has worked proactively and consistently to mitigate environmental and agricultural risk to its business by developing three discrete biosecure growing regions for growing salmon.

This has been a deliberate strategy as Huon has long recognised the significant risk posed by disease outbreak and environmental factors outside its control. It enables us to provide a continuous supply to market, over a 12-month period, of appropriate market size fish and also the ability to grow and market rainbow trout.

Macquarie Harbour

An important growing region that helps Huon provide continuous 12 month supply to market, Macquarie Harbour is a unique waterway that requires careful, conservative management. Huon has reduced production in Macquarie Harbour and implemented a range of other measures in response to changing environmental conditions.

Huon River and D'Entrecasteaux

In 2014-15 Huon undertook a major reorganisation of leases in the Huon and Channel to place them in higher energy locations that suit Huon's style of farming including Fortress Pens.

Storm Bay

Huon has pioneered the Australian salmon industry's first efforts into offshore farming at its leases in Storm Bay. Early off-shore experience is helping shape Huon's vision for long-term offshore growth.

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1. Shore based fish feeding technology
2. Fish bathing from a Fortress Pen
3. Feed delivery system inside a Fortress Pen
4. Fortress Pens in Hideaway Bay
5. Storm Bay's deeper, higher energy offshore sites are better for the fish and the environment
6. Inspecting eggs at the hatchery

Fish performance

Fish performance is a combination of growing conditions, husbandry and feeding. In FY2017, Huon spread its feed supply contracts over a number of companies and implemented new feed systems and technology designed to improve feed efficiency and performance in a range of environmental conditions. This is particularly important as the likelihood of extreme weather events increases as a result of climate change as well as facilitating Huon's expansion in offshore farming sites.

People and safety

Huon's aim is to develop "leaders at all levels" and targeted training and development is building strong capability within the business. Culturally, Huon remains clearly focussed on development of a safety first culture. This steadfast approach has seen safety improving at all sites demonstrated by improvements across a range of safety indicators.

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MANAGING DIRECTOR'S REVIEW

Peter Bender
Managing Director and
Chief Executive Officer

Huon Aquaculture's third year as a listed company has undoubtedly been our most successful on record. Focussing on strong fish growth and delivering on strategic objectives has generated a significant turnaround in performance from the previous year.

With the implementation of our three year Controlled Growth Strategy (CGS) behind us, we are now focused on delivering the efficiency benefits that will come from integrating the latest technology and innovation throughout the business whilst at the same time supporting our capacity to grow production over the next 5 years, particularly in our offshore locations.

Our experience of a severe weather event through the summer of 2015-16, confirmed that the Company's push into offshore farming in Storm Bay was and continues to be the right strategy to mitigate risk from climate change and severe weather events. This experience also underpinned our resolve to protect waterways, like Macquarie Harbour, that are under increasing stress through inadequate regulatory oversight and control. This has meant moving from engaging proactively with government to present our concerns, to one of direct action through the courts. This was never our preferred approach but the sustainability of our industry is vital not only to our business and the jobs it supports but to Tasmania's reputation as leading the way in promoting environmentally sustainable growth.

Performance Overview

While sales volumes declined and overall revenue increased modestly in FY2017, profitability increased strongly due to; continuous improvement in farming and feeding strategies, better feed performance combined with ideal growing conditions during a mild winter and a cooler than average summer, and continued strength in the domestic salmon price. Reduced production tonnages, when compared to last year, reflect the decision in 2015 to bring forward the harvest of the 2014 Year Class due to the impending El Niño. As a result we started the 2017 financial year with much lower biomass levels than would normally be the case.

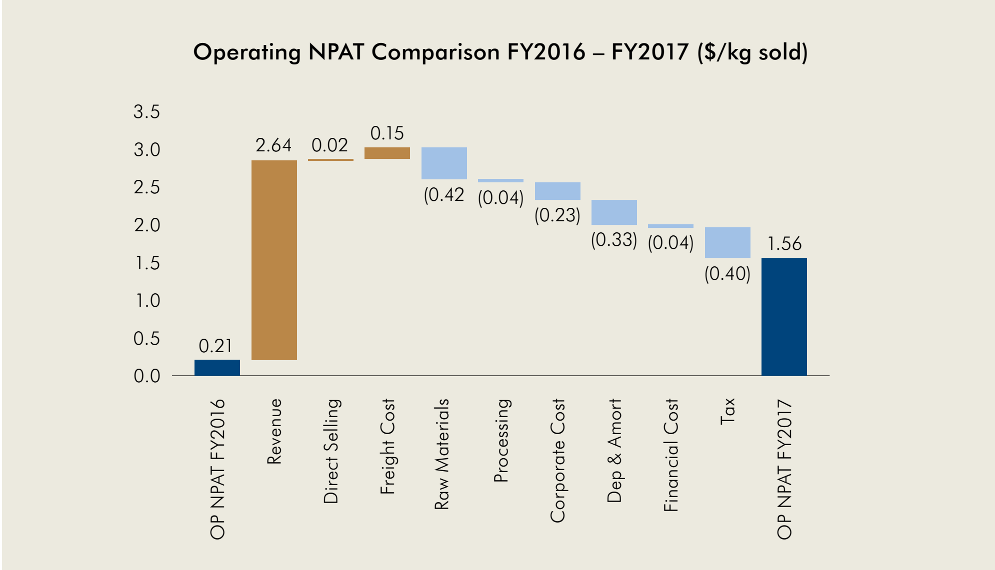
Operating EBITDA of $62.8 million was derived from annual sales revenue of $259.5 million. This compares with $26.4 million operating EBITDA from $233.7 million annual sales revenue in the previous corresponding period (pcp). The statutory profit (NPAT) of $42.2 million represents a significant turnaround from the previous year's reported NPAT of $3.4 million.

The uplift in profit together with close management of working capital resulted in operating cash flow of $54.0 million. This figure was also influenced by the decision to hold back a payment of $17.6 million for feed quality issues supplied by Ridley AgriProducts, a matter which subsequently led to Huon pursuing a claim for damages. This was settled in the week prior to 30 June 2017 with payment made in July 2017.

Feed performance in a range of environmental conditions coupled with good fish husbandry is the foundation of successful and profitable production. This is evidenced in part by the dramatic improvement in fish growth once our fish were put on improved fish feed diets with the average fish harvest weight increasing 21% to 4.84kg in the 6 months to 31 December 2016 compared with 3.99kg in the prior six month period.

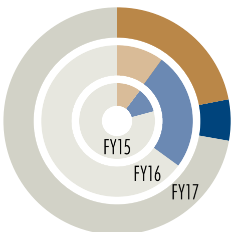
Whilst we measure performance using operating EBITDA, the Fair Value and Adjustment of Biological Assets can have a significant impact on the statutory results.

This adjustment in FY2017 was a $19.2 million increase in the Fair Value Adjustment of Huon's Biological Assets reflecting the increased biomass levels from the recovery in fish weight and improved pricing conditions. The higher



market value was due to the price increases and the improved sales channel mix, resulting in an increased average sale price.

Balancing Huon's channel mix has been a strategic objective for the business for some time. The wholesale and export markets have been the primary channels through which the majority of our production has always been sold. However, a key development during the year was the execution of new sales agreements resulting in 22% of revenue being generated in the retail channel. This delivers a better balance to Huon's sales channel mix and also provides a level of certainty in planning future production.



Channel mix (% OF TOTAL REVENUE)

	FY17	FY16	FY15
Retail	22%	10%	10%
Export	6%	25%	15%
Wholesale	72%	65%	75%

Overall net debt decreased from $62.1 million in FY2016 to $43.0 million. While this includes the $17.6 million payment withheld from Ridley which has subsequently been repaid (net of a $4.5 million settlement), gearing adjusted to include this repayment remains conservative at 21%.

Huon continued to bear the increased costs from the impact of El Niño and feed quality issues on its 2015 Year Class fish through the first half of FY2017. While this impacted the average cost of production per HOG kg for the year (+7.2%), the strong performance of the 2016 Year Class in the second half has driven a reduction in the cost of production (-12.3% on pcp) which is expected to continue in FY2018, underwritten by the productivity benefits from the Controlled Growth Strategy.

Operating Overview

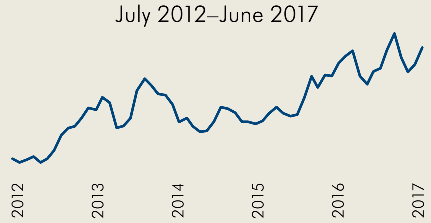
The three key drivers underlying Huon's performance during the year were:

- better than average growth in fish weight due to a combination of ideal growing conditions and the improved fish feed diets,
- better balance of our channel mix by selling a greater proportion of production to retail, and
- the continued strength in the international and domestic salmon price.

There is no question, in our view, that Huon was in a better position to capitalize on each of these factors as a result of the commitment made in previous years to invest heavily in upgrading every stage of the production process.

Sales volumes fell 10% as the tonnage of whole fish sold declined from the record harvest of 20,463 kg in FY2016 to 18,448 kg. While we had planned for and flagged that production levels in FY2017 would be affected by the accelerated harvest, overall biomass growth was better than expected. A warm winter and cool start to summer supported ideal growing conditions during the first half which continued right through to the end of summer. The success of the Fortress Pens in reducing stocking densities and wildlife interactions at all sites, has given the fish a better environment in which to grow. More significantly the introduction of improved fish feed diets has delivered a rapid recovery in fish weight resulting in a strong improvement in performance between

Managing Director's Review



	FY17	FY16	FY15
Lost Time Injury Frequency Rate (LTIFR) Number of injuries per 1 million hours worked	3	7	27
Average Lost Time Rate (ALTR) Hours lost per employee	12	16	19
Incident Rate (IR) Number of Lost Time Injuries per 100 employees	0.6	1.3	5.2

1. Fortress Pens in Storm Bay

the first and second halves, as stated earlier. Over FY2017 the average fish harvest weight increased by 16% to 4.64kg compared with the second half of FY2016 (3.99kg) when fish were under the greatest stress.

Creating a more balanced and sustainable channel mix in which the retail market is a key contributor to long term, stable returns has been one of Huon's strategic priorities. In August 2016 Huon signed a three-year agreement with a major food manufacturer for the supply of chilled packaged seafood. It increased the Company's market share of the growing chilled packaged fresh salmon category in retail stores across Australia. This is a category that is currently trading well below its potential in the Australian market when compared with penetration internationally.

This represented a significant milestone in Huon's execution of one of its three strategic business objectives: to grow the market through increased consumption, better channel mix and the enhancement of our sales and brand. Around 23% of production volume is now being sold through the retail channel, compared to an average of 10-12% in prior years.

International salmon prices rose strongly in the first half of FY2017 from the low experienced in November 2015. Severe outbreaks of sea lice in Norway and Scotland, as well as a deadly algae bloom that hit Chile in early 2016, meant supplies of global farmed salmon fell almost 9% from the previous year, the first decline in six years and the steepest fall in a quarter of a century. Over the year to June 2017 international salmon prices, while volatile, have traded at elevated levels and despite an expected increased global supply it is anticipated to fall below meeting demand. Prices in the domestic market are expected to continue to trade at similar levels to those experienced in the past year.

With production tonnages down on FY2016 and 23% being allocated to the supply of new retail contracts, Huon effectively exited the export market in FY2017. However we expect to increase our export activity over the next two years as we consolidate some new and longer term relationships in the Asian market. At the same time we remain focused on supplying the rising domestic demand for salmon across both the retail and wholesale market.

People and Safety

Huon's "Safety First" ethos has resulted in continued improvement in its Loss Time Injury Frequency Rate (LTIFR) in FY2017, from 7 in the previous corresponding period to 3.

Building our people's capability through workforce planning and targeted development is playing a critical role in Huon delivering its business strategy. Recruiting and retaining high calibre employees is a core people strategy and succession planning is also a high priority.

Huon has a strong commitment to building the skills, knowledge and capabilities of its people to ensure the business reaches its full potential. This commitment is not only building the capability of the current workforce but preparing the business for future opportunities. It is recognised within Huon that having a strong leadership capacity and a well-trained work force underpins a business that is productive, profitable, sustainable, and allows us to embrace emerging technological advances.

Managing Risk

Key risk areas:	FY2017 measures:
Agricultural risk (disease, algae)	– Continuous improvement in farming and feeding strategies, transfer of fish onto improved feed diets, resulting in rapid recovery in fish weight in the second half following feed performance issues and severe weather conditions. New feed supply contracts in place and ongoing feed diet trials. Participation in the industry-wide selective breeding program and support for the rapidly expanded research capability for vaccine development at the Aquatic Animal Health and Vaccine Centre of Excellence (AAHVCE) in Launceston.
Environmental risk (weather, wildlife)	– Decreased stocking densities and installation of oxygenation system in Macquarie Harbour, legal action against the Tasmanian Government and the EPA through the Federal and the Tasmanian Supreme Court in relation to mismanagement of Macquarie Harbour. Increased utilisation of offshore sites to mitigate impact of severe weather events.
Social and Market risk (reputation, competition, consumer preferences)	– Significantly increased penetration of the retail channel providing better balance to sales portfolio. Increased market share of the growing chilled packaged salmon category supported by use of well-known brands such as John West. Continuing to research innovative product extensions. – Deep understanding of broad social and local community expectations of Huon's operations are reflected in decision making across the business, including the CGS. Effective engagement with a wide range of stakeholders regarding the social and environmental benefits of Huon's CGS occurred and is ongoing during a period of increasing concern over industry practices.
Safety risk	– Improvement in lost time injury frequency rate

Taking responsibility for the salmon industry's management of environmental risk

Constantly monitoring and managing risk is core to the way Huon operates its business each and every day. Effective risk management is fundamental to the creation of sustainable long term revenues in aquaculture. For the most part, our activities go unnoticed to those outside the business however, in FY2017 that changed when we decided to take our concerns public regarding the specific risks Huon was facing as a result of the environmental threat to Macquarie Harbour.

Macquarie Harbour is particularly important as it provides a discrete biosecure region where the disease status is uniquely different to other growing areas in the state. For this reason, together with its natural beauty and World Heritage listing, protection of this waterway is of paramount importance not only to Huon and the salmon industry, but to all Tasmanians.

Since 2014 the Tasmanian government, as regulator of the Harbour, has set increasing biomass limits and applied other management controls that have led to, or caused, deteriorating environmental conditions. There was no change to this practice in 2016 when conditions in the Harbour deteriorated to levels that threatened its environmental values and yet the government lifted the biomass cap to an unprecedented level of 21,500 tonnes.

In July 2016, the Tasmanian Government handed control of Macquarie Harbour over to the independent Director of the Tasmanian Environmental Protection Authority (EPA) at which time a review of environmental conditions in the Harbour was undertaken. In February 2017, the EPA Director made a final biomass determination of 14,000 tonnes that, based on the available scientific evidence, set a limit that, in Huon's view, was still well in excess of the level the waterway could support. It was at this point that Huon made the decision to commence legal proceedings in the Supreme Court and Federal Court challenging the EPA Director's and Tasmanian Government's management of Macquarie Harbour.

Undertaking legal proceedings was not our preferred approach and has only come after years of engaging directly with government and exhausting all other avenues at our disposal. In the end we felt it was the only way to draw attention to and hopefully remedy, an issue that has the potential to seriously damage the reputation of our industry and the long-term security of the waterway for salmonid farming. The first component of these actions will be heard in the Federal Court in November 2017.

A summary (Macquarie Harbour Timeline) of key regulatory, biomass, scientific findings and legal proceedings regarding Macquarie Harbour since the approval to expand salmon farming was granted in 2012 is available from the sustainability section of our website.

Huon believes that to maintain social acceptance both in local communities and the wider public, the Company must farm ethically and transparently. Huon achieves this by taking a long-term view and this is reflected in the Company's planning and decision making, particularly as

Managing Director's Review

it relates to Macquarie Harbour. Broad social acceptance is needed to ensure the safe, sustainable growth of the Company over time.

While environmental risk is only one of Huon's key areas of risk which are actively monitored and regularly assessed as part of our operational management strategy, it is one that has undoubtedly received a greater proportion of Huon's attention during the past year.

Outlook

Demand for salmon from Australian consumers is expected to continue growing at around 10% per annum and the demand supply dynamics internationally are such that pricing is expected to remain above the long term average. Huon is well placed to take advantage of demand increases with lease space availability, particularly in offshore locations, allowing the Company to grow in-line with demand.

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

Particular opportunities in the export market remain of interest to us and we intend to take advantage of the strong demand for the Huon brand in Asia. Huon expects to increase sales penetration of the Japanese market and harness new opportunities that will assist Huon to further leverage its sales into a range of other key high-performing Asian markets.

Capital expenditure will increase to around $65 million from $35 million in FY2017.

With production levels likely to remain low in Macquarie Harbour, continued production expansion will occur at our Storm Bay offshore sites. Planning is also underway for our land based growout nursery, with construction expected to commence during FY2018, with first fish to sea expected in FY2019.

FY2018 has started well with favourable growing conditions and fish responding well to improved fish feed diets and the fortress pens. While we still have the higher risk growing cycle of summer ahead of us for FY2018, current estimates have our harvest volume around 24.5 thousand tonnes. While market pricing levels are expected to be similar to FY2017, we are forecasting higher export sales during FY2018, as a result of the significant increase in production tonnes. This is expected to result in overall lower average prices than in FY2017. The full impact of the CGS investment expected to be reflected in substantially improved operating efficiencies in FY2018. As a result we are confident that profitability will continue to grow over the coming years.

Peter Bender, Managing Director and Chief Executive Officer

FINANCIAL SUMMARY

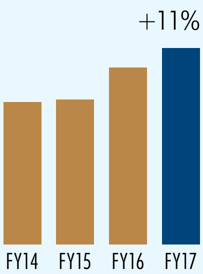
Statutory Earnings

- Harvest tonnage fell by 10% as a result of the accelerated harvest in FY2016, however this was offset by improved salmon pricing throughout the year, delivering an 11% increase in overall sales revenue.
- EBITDA increased to $82.0m from $24.9m largely due to better fish growth and higher prices which contributed directly to a tripling in margins from 10.7% to 31.6%.
- Volume sold into the retail market increased 170% to 4,308 tonnes, more than doubling the revenue from this channel to 22%.
- Operating cash flow increased to $54.0m from $16.3m, with EBITDA conversion averaging 92% in FY2017.
- The increase in Fair Value Adjustment of Biological Assets to $19.2m highlights the impact of the recovery in stock levels during the year as well as the improved pricing and altered channel mix.
- Strong balance sheet with comfortable gearing of 15%.
- Capital expenditure declined by 22% to $35.0m but remained focused on supporting long term growth and efficiency.

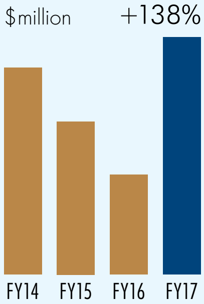
		FY2017	FY2016	FY2015
Tonnage	t	**18,448**	20,463	16,536
Revenue[1]	$M	**259.5**	233.7	191.7
Revenue per HOG kg	$/kg	**14.07**	11.42	11.59
EBITDA[2]	$M	**82.0**	24.9	35.2
EBITDA per HOG kg	$/kg	**4.44**	1.22	2.13
EBITDA margin	%	**31.6%**	10.7%	18.4%
EBIT	$M	**60.1**	7.3	25.8
NPAT	$M	**42.2**	3.4	16.6
Fair value adjustment	$M	**19.2**	(1.5)	(5.3)
Related income tax (expense)/refund[3]	$M	**(5.8)**	0.5	1.6
Biological assets	$M	**188.0**	147.2	151.8
Earnings per share	c	**48.27**	3.92	20.99
Dividend per share	c	**5.00**	–	–
Net debt[4]	$M	**43.0**	62.1	33.0
Total gearing ratio[5]	%	**14.7%**	24.8%	13.3%
Return on assets[6]	%	**12.2%**	1.8%	6.4%

Operating Earnings and Cash Flow

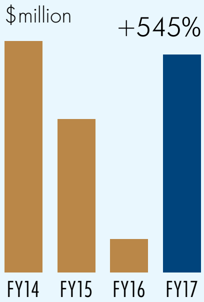
Revenue[1]
$million



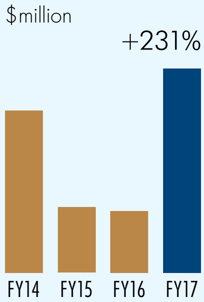
Operating EBITDA[7]
$million



Operating NPAT[8]
$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.
8 Operating NPAT excludes the impact of the Fair Value Adjustment of Biological Assets and related tax impact.

Tonnage
18,448t
(FY2016: 20,463t)

Sales Revenue
$259.5m
(FY2016: $233.7m)

Sales Revenue by Channel:

Wholesale
72%
(FY2016: 65%)

Export
6%
(FY2016: 25%)

Retail
22%
(FY2016: 10%)

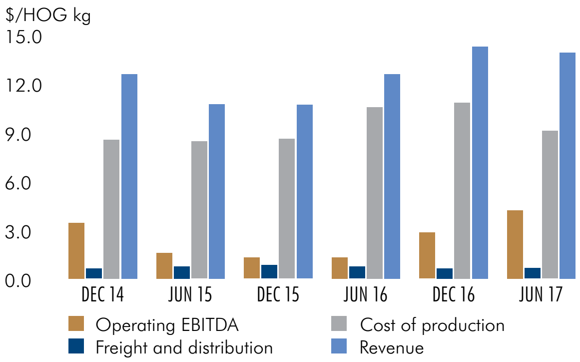
Employees
500
(FY2016: 524)

KEY FINANCIALS

Operational Performance

Six months ended		30 Jun 2017	31 Dec 2016	30 Jun 2016	31 Dec 2015
Harvest volume HOG t	t	9,071	9,377	8,175	12,288
Revenue from operations	$M	126.0	133.5	102.6	131.1
Revenue $/HOG kg	$/kg	13.89	14.24	12.55	10.67
Cost of production	$M	(83.7)	(101.3)	(86.0)	(105.3)
Cost of production $/HOG kg	$/kg	(9.23)	(10.80)	(10.52)	(8.57)
Freight and distribution	$M	(5.8)	(5.9)	(6.0)	(10.1)
Freight and distribution $/HOG kg	$/kg	(0.64)	(0.63)	(0.73)	(0.82)
Operating EBITDA*	$M	36.5	26.4	10.7	15.8
Operating EBITDA $/HOG kg	$/kg	4.02	2.82	1.31	1.29
Margin	%	29.0%	19.8%	10.4%	12.1%
Fair value adjustment	$M	(12.4)	31.6	6.1	(7.6)

Operational Performance



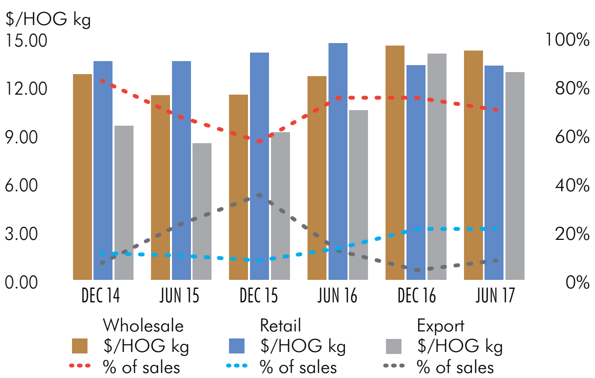
- The recovery in salmon prices that began in late FY2016, continued to hold through FY2017 supporting the view that current pricing reflects a return to more normal market dynamics.
- Improved feed performance combined with ideal growing conditions restored fish stock biomass levels despite the low starting biomass.
- Average harvest weights improved as a result, and the cost of production per kg also benefited, reducing by 15% in the second half.
- Processing efficiencies and lower freight costs also contributed, resulting in production and freight costs reducing 12% from $11.25 to $9.87/kg.

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

Sales Channel

Six months ended		30 Jun 2017	31 Dec 2016	30 Jun 2016	31 Dec 2015
Wholesale HOG kg	t	6,053	6,898	6,127	6,517
Retail HOG kg	t	2,204	2,104	886	701
Export HOG kg	t	814	375	1,162	5,070
Total HOG kg	t	9,071	9,377	8,175	12,288
Wholesale % of revenue	%	69%	75%	75%	57%
Retail % of revenue	%	23%	21%	13%	8%
Export % of revenue	%	8%	4%	12%	35%
Wholesale $/HOG kg	$/kg	14.28	14.54	12.64	11.49
Retail $/HOG kg	$/kg	13.17	13.30	14.67	14.10
Export $/HOG kg	$/kg	12.88	14.02	10.51	9.14

Distribution Channels by Price and Contribution to Sales

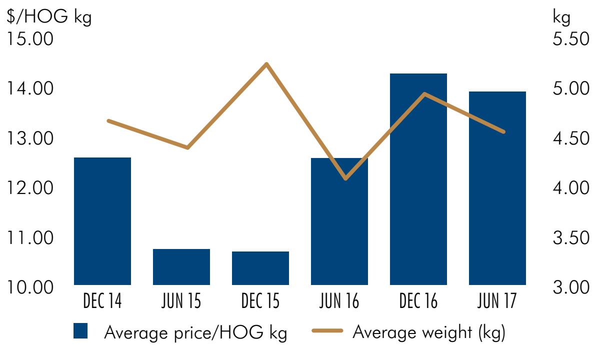


- New retail sales contracts that commenced in FY2017 more than doubled sales into the retail segment from 10% to 22% providing much greater pricing and production certainty.
- The wholesale market continues to be Huon's dominant segment and prices have remained consistent since late FY2016. We continue to see demand growth in the domestic channels, driving both retail and wholesale sales.
- Export pricing has historically been weaker than that achieved in the domestic market however supply constraints globally saw this discount diminish. As supply pressure dropped in the first half, Huon increased exports to just under 10% of production in the second half.

Biological Assets

Six months ended		30 Jun 2017	31 Dec 2016	30 Jun 2016	31 Dec 2015
Biological assets at fair value	$M	188.0	190.3	147.2	135.5
Fair value adjustment (FVA)	$M	48.5	60.9	29.4	23.3
Biological assets (excluding FVA)	$M	139.5	129.4	117.8	112.2
Total weight of live finfish at sea	t	16,663	17,078	12,075	14,499
Biological asset value/kg (live)	$/kg	11.28	11.14	12.19	9.35
Fair value adjustment/kg (live)	$/kg	2.91	3.57	2.43	1.61
Biological assets/kg (live) (excluding FVA)	$/kg	8.37	7.58	9.76	7.74
Number of fish (harvest)	000's	2,037	1,936	2,047	2,390
Sales volume (HOG kg)	t	9,071	9,377	8,175	12,288
Average HOG weight	kg	4.45	4.84	3.99	5.14
Average price/HOG kg (net sales)	$/kg	13.89	14.24	12.55	10.67
Net sales	$M	126.0	133.5	102.6	131.1

Fish weight and price

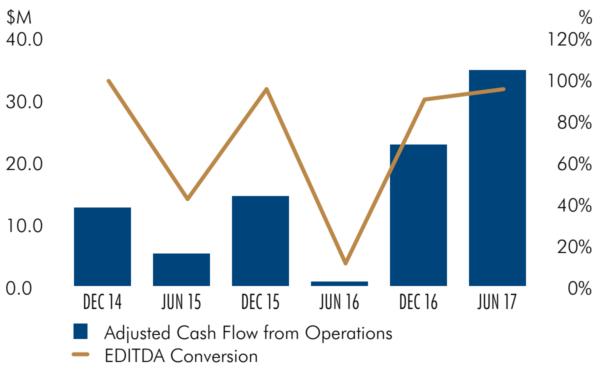


- The $19.2m increase in the Fair Value Adjustment over FY2017 reflects the higher biomass level and improved pricing environment and altered channel mix compared to June 2016.
- The fair value of biological assets increased by 28% (over pcp) to $188.0m while biomass at sea increased by 38% (over pcp). This reflects the proportion of fish at marketable size at reporting date having returned to more normal stock levels and brings the biological assets value per kg to $11.28.
- Average harvest weight recovered strongly in the first half to 4.84kg from 3.99kg (2H2016). The seasonal fall in harvest weight during the second half is recovering as growth rates for the 2016 Year Class continue to perform strongly.
- Biological assets per kg (excluding FVA) reduced by 14% (over pcp) to $8.37, a further indication that production costs are on a downward trend.

Cash Generation

Six months ended		30 Jun 2017	31 Dec 2016	30 Jun 2016	31 Dec 2015
Operating EBITDA*	$M	36.5	26.4	10.7	15.8
Cash flow from operations	$M	33.1	20.9	(0.9)	17.2
Add – net interest paid	$M	1.6	1.8	1.6	1.6
– tax paid/(refunded)	$M	–	–	–	(4.4)
Adjusted cash flow from operations	$M	34.7	22.7	0.7	14.4
EBITDA conversion	%	95%	86%	7%	91%
Capex	$M	22.3	12.7	14.3	30.2
Cash at end of period	$M	23.0	21.0	3.8	10.8

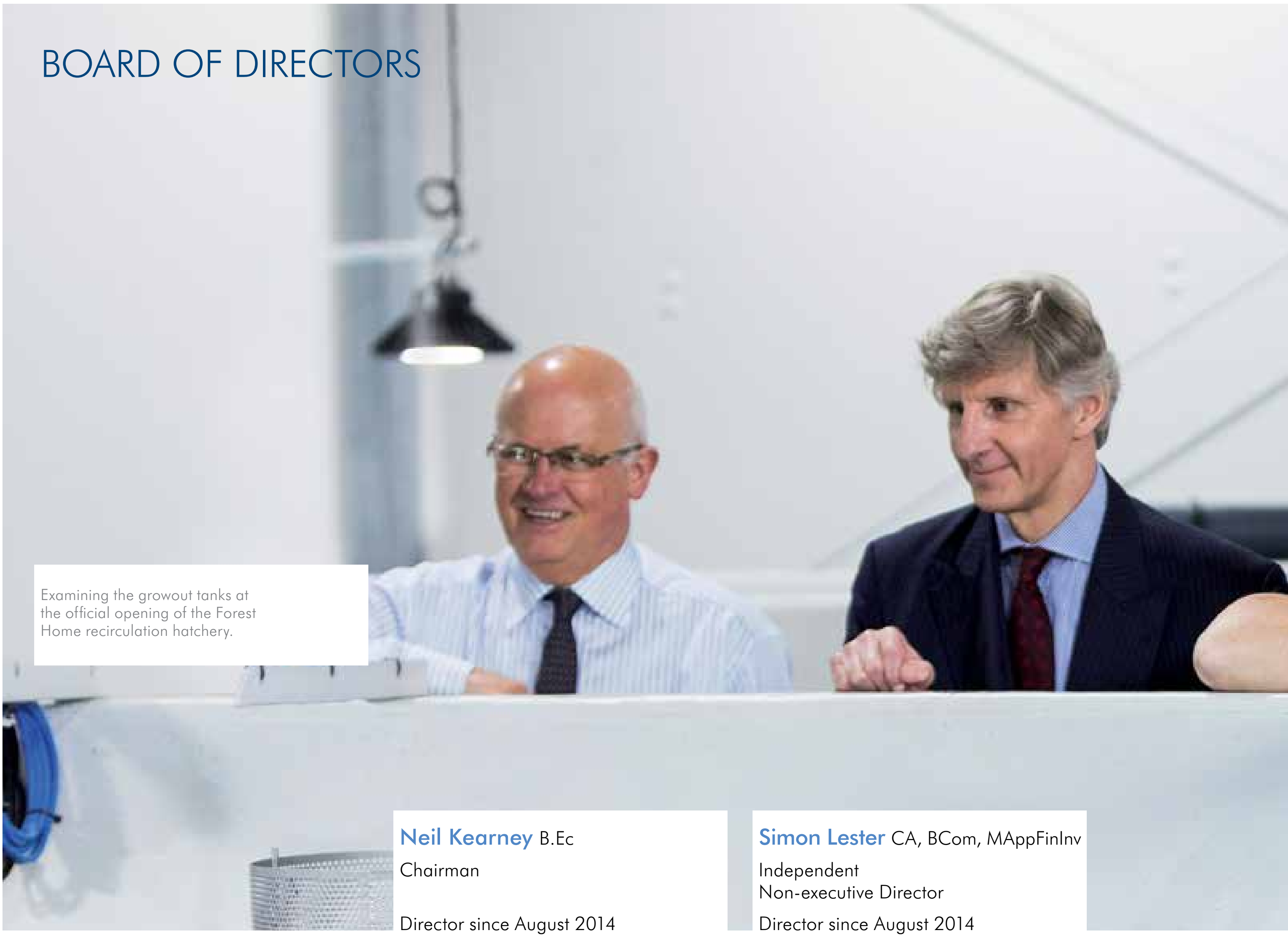
Operational Cash Flow



- The uplift in profit together with close management of working capital resulted in operating cash flow of $54.0m, up from $16.3m (pcp).
- EBITDA conversion averaged over 90% throughout the year, continuing to improve in the second half.
- Huon spent $35.0m in capex on the continued expansion of marine farms in Storm Bay, marine fleet upgrades, and efficiency projects covering fish monitoring, feeding and processing facilities.
- Net debt eased and gearing reduced to 15% at year end, but was positively impacted by the $17.6m Ridley payment held back (otherwise gearing would be 21%).

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

BOARD OF DIRECTORS



Examining the growout tanks at the official opening of the Forest Home recirculation hatchery.

Neil Kearney B.Ec

Chairman

Director since August 2014

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

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

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

Special Responsibilities

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

Simon Lester CA, BCom, MAppFinInv

Independent Non-executive Director

Director since August 2014

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

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

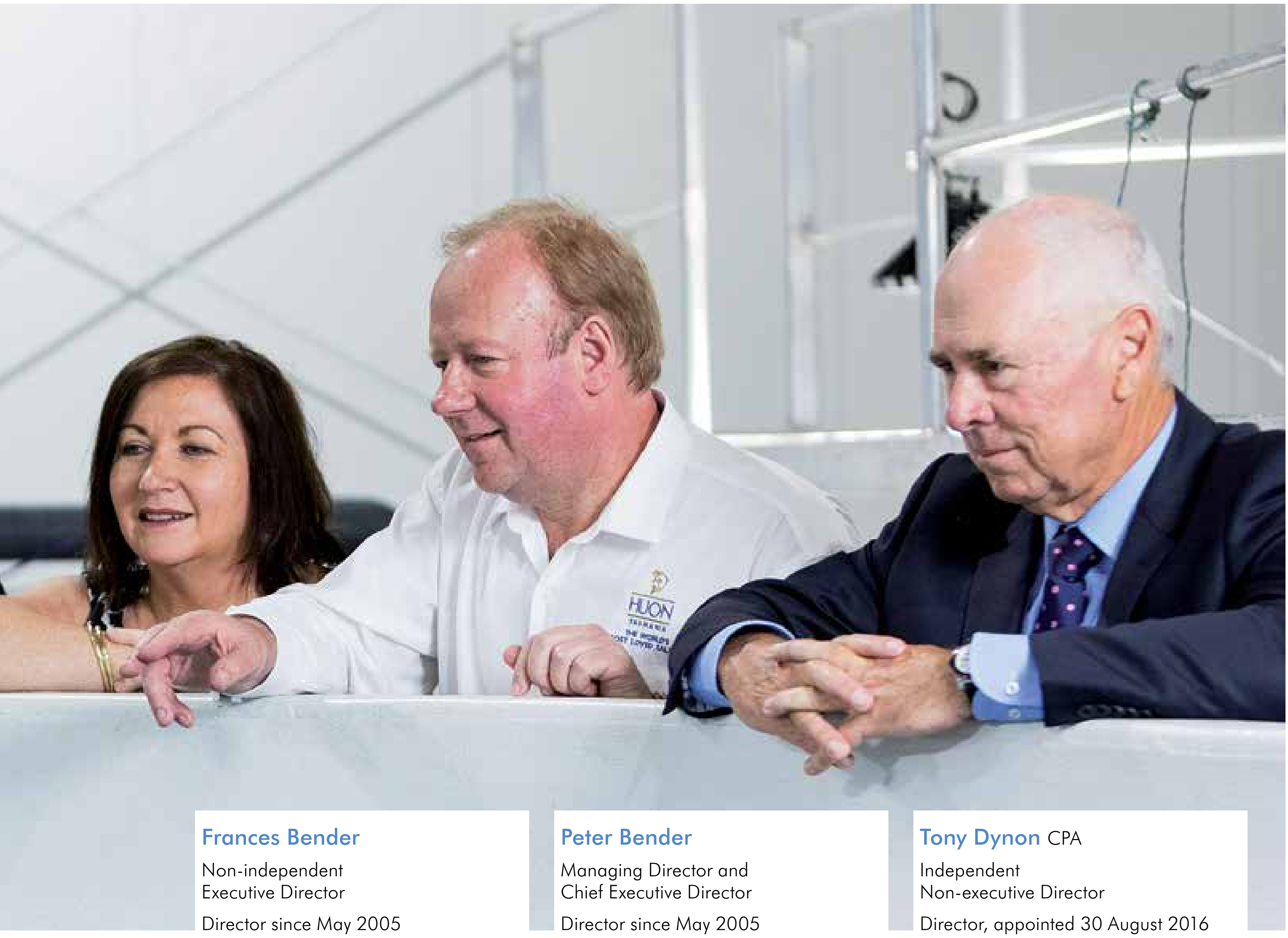
His former roles include Partner at Deloitte Touche Tohmatsu and PBS Partners as well as senior management roles at Price Waterhouse and KPMG.

Simon is currently the Chief Risk Officer of The Royal Automobile Club of Tasmania, a Board member of CatholicCare Tasmania, and a Director of the Australian Risk Policy Institute (APRI) Inc.

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

Special Responsibilities

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



Frances Bender

Non-independent
Executive Director

Director since May 2005

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

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

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

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

Peter Bender

Managing Director and
Chief Executive Director

Director since May 2005

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

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

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

Peter is a Non-executive Director of the Tasmanian Salmonid Growers Association Ltd and Salmon Enterprises of Tasmania Pty Ltd.

Tony Dynon CPA

Independent
Non-executive Director

Director, appointed 30 August 2016

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

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

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

Tony is a member of CPA Australia.

Special Responsibilities

- Chairman of the Audit and Risk Management Committee
- Member of the Remuneration and Nomination Committee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HUON
TASMANIA
Premium
TASMANIAN
WOOD ROASTED SALMON

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 2017.

Directors

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

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

Tony Dynon was appointed as a director on 30 August 2016 and continues in office at the date of this report.

Peter Margin was a director from the beginning of the financial year until his resignation on 30 August 2016.

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

Directors' Interests

Particulars of Directors' interests as at 30 June 2017 were:

Shareholdings	Ordinary Shares	Performance Rights
Peter Bender(i)	57,691,523	182,214
Frances Bender(i)	57,691,523	–
Neil Kearney	6,316	–
Simon Lester	14,516	–
Tony Dynon	–	–

(i) Includes direct and indirect interests.

Company Secretary

Thomas Haselgrove B.Ec. CA

Thomas Haselgrove is the Chief Financial Officer and Company Secretary with 25 years' experience in audit, statutory accounting and commerce across a number of organisations in the food, beverage and FMCG sectors including Chiquita Brands, Southcorp and Ernst & Young. Thomas was appointed Company Secretary in 2006.

Principal Activities

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

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

Dividends

There have been no dividends declared or paid during the year ended 30 June 2017.

On 24 August 2017 the Directors recommended the payment of a final ordinary dividend of $4.4m (5 cents per fully paid share) to be paid on 12 October 2017 out of retained earnings at 30 June 2017. The dividend will be 50% franked.

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 4 to 5 and the Managing Director's Review on pages 12 to 16 of this Annual Report.

Changes in State of Affairs

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

Matters Subsequent to the end of the Financial Year

On 24 August 2017, the Directors of the Company recommended the payment of a final ordinary dividend (refer Dividends above). The dividend has not been provided for in the 30 June 2017 financial statements.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Directors' Report (continued)

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	2	2	1	1	–	–
Peter Bender	11	11	*	*	*	*
Frances Bender	11	11	*	*	*	*
Neil Kearney	11	11	4	4	3	3
Simon Lester	11	11	4	4	3	3
Tony Dynon	10	10	3	3	3	3

* Not a member of the Committee

Share Options and Performance Rights

During or since the end of the financial year, 196,940 performance rights were granted to Directors and Key Management Personnel. Refer to the remuneration report for further details of the performance rights granted and outstanding.

Environmental Regulation

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

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

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

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

REMUNERATION REPORT

Introduction

This Remuneration Report for the financial year ended 30 June 2017 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 2017 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) (Retired 30 August 2016)
- Neil Kearney (Chairman and Non-executive Director)
- Simon Lester (Non-executive Director)
- Tony Dynon (Non-executive Director) (Appointed 30 August 2016)

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 2017 the RNC comprised Simon Lester (Chairman), Neil Kearney and Tony Dynon.

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

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

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

Use Remuneration Consultants

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 2017.

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.

Directors' Report / Remuneration Report (continued)

Components of Remuneration

In the financial year ended 30 June 2017, the KMP remuneration structure comprised of market competitive fixed and variable remuneration including STI and LTI plans as detailed in the following table:

Component	Performance Measures	Weighting as % of TFR	Link to Performance
Fixed remuneration includes base salary, superannuation contributions, long service and annual leave and other benefits	Multiple sources of data used to determine annual changes in fixed remuneration including competitive market data and each individuals performance and contribution during the year	N/A	Consolidated Group performance as well as individual performance are considered during the annual remuneration review of fixed remuneration
STI Cash bonus	– Operating earnings (earnings excluding adjustments for biological assets) before interest, tax, depreciation and amortisation (50%) – 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 (earnings excluding adjustments for biological assets) 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 2016 and 2017:

	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.

Fixed Remuneration

Fixed Remuneration (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 2016 and 2017 fixed remuneration levels are provided below:

	Fixed remuneration	
KMP	**2017 $**	**2016 $**
Peter Bender	609,017	516,246
Frances Bender	215,066	188,573
Philip Wiese	432,004	380,770
Thomas Haselgrove	312,713	295,996

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 FY2017?	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 FY2017 the performance measures under the STI plan were as follows: – Operating earnings (earnings excluding adjustment for biological assets) before interest, tax, depreciation and amortisation – 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 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 2016 and 2017.

KMP	**STI value as % of TFR 2017**	**STI value as % of TFR 2016**
Philip Wiese	40%	40%
Thomas Haselgrove	30%	30%

Directors' Report / 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 FY2017 LTI performance rights grant?	Performance rights issued under the FY2017 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 FY2017 LTI plan performance rights vest?	The performance rights granted will vest in two 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 2016 – 30 June 2018 – Tranche 2 — 1 July 2016 – 30 June 2019 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 2019.
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 2016 and 2017:

KMP	LTI value as % of 2017	LTI value as % of TFR 2016
Peter Bender	100%	100%
Philip Wiese	40%	40%
Thomas Haselgrove	30%	30%

2017 LTI Plan Hurdles explained

Performance rights issued under the 2017 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) (excluding adjustment for biological assets) divided by the weighted average number of ordinary shares on issue. Compared to an absolute profit measure, EPS takes into account changes in the equity base and for this reason it is preferred to other profit based metrics.

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

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	2017	2016	2015	2014
Operating earnings before interest, tax, depreciation and amortisation (EBITDA)	$m	62.8	26.5	40.5	54.7
Cash flow from operations (CF)	$m	54.0	16.3	17.3	42.9
Lost Time Injury Frequency Rate (LTIFR)[(i)]	hours/million	3	7	27	20
Earnings per share (EPS) (Operating)[(ii)]	Cents	32.90	5.13	25.64	50.26
Return on Assets (ROA) (Operating)[(iii)]	%	9.9%	2.3%	10.3%	24.8%
Dividend	$m	–	–	0.8	–
Dividend payout ratio	%	–	–	4.8%	–
Share price (30 June)	$	4.93	3.50	3.40	–

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

(ii) The relationship between earnings and the number of shares issued is calculated as the net profit after income tax (NPAT) (excluding adjustment for biological assets) divided by the weighted average number of ordinary shares on issue.

(iii) 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).

Directors' Report / Remuneration Report (continued)

Consolidated Group performance and its link to STI

The following table outlines the Company's 2017 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%	Target achieved	Operating EBITDA is seen as a good guide of the current trading performance of the Company as it is the profitability adjusted for finance cost and reinvestment in assets
Cash flow from operation (CF)	Statutory cashflow from operations.	30%	Target achieved	Cashflow from operations is an important driver of flexibility for the Company to continue to develop its farming systems and to capitalise on opportunities in the market.
Lost time injury frequency rate (LTIFR)	Lost time injury frequency rates are the number of lost time injuries within a given year relative to the total number of hours worked in the same period multiplied by 1 million.	20%	Target achieved	Staff are a key asset to Huon and as such their safety is paramount. A reduction in LTIFR is a key part of the safety program.

STI Outcomes for KMP for 2017

The following table provides a summary of STI outcomes and payments for the 2017 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	144,976	40%	144,976	–	100%
Thomas Haselgrove	78,351	30%	78,351	–	100%

KMP 2017 LTI Grants

LTI outcomes for KMP for 2017 – Performance against Tranche 2 LTI plan targets

The following table shows the performance of Tranche 2 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%

LTI outcomes for KMP for 2017

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

KMP – Performance rights granted	Grant date	Units granted	Fair value $	Total fair value of grant 2017 $
Peter Bender	30 Nov 2016	134,380	3.71	498,550
Philip Wiese	30 Nov 2016	40,612	3.71	150,671
Thomas Haselgrove	30 Nov 2016	21,948	3.71	81,427

KMP – Performance rights held

Name Grant Date	Balance at Start of Year	Granted During Year	Forfeited	Vested	Balance at End of Year
Peter Bender					
– 25 November 2015	95,668	–	(47,834)	–	47,834
– 30 November 2016	–	134,380	–	–	134,380
Philip Wiese					
– 19 October 2015	28,956	–	(14,478)	–	14,478
– 30 November 2016	–	40,612	–	–	40,612
Thomas Haselgrove					
– 19 October 2015	15,647	–	(7,823)	–	7,824
– 30 November 2016	–	21,948	–	–	21,948

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 $479,716 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 $155,875 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 $362,439 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 $261,171 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 2017

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

	Fixed Remuneration					Variable Remuneration			
Year	Salary and Fees $	Non-Monetary $	Other $	Long Service and Annual Leave $	Super-annuation $	Cash Bonus $	Performance Rights[i] $	Total $	Performance related %
Executive Directors									
Managing Director and CEO Peter Bender									
2017	493,035	10,184	–	74,034	31,764	–	122,865	731,882	17%
2016	461,265	15,859	–	(4,699)	43,820	–	112,729	628,974	18%
Executive Director Frances Bender									
2017	155,644	–	–	25,172	34,250	–	–	215,066	–
2016	149,880	7,875	–	(2,477)	33,295	–	–	188,573	–
Key Management Personnel									
Deputy CEO Philip Wiese									
2017	362,677	–	–	39,951	29,376	144,976	37,172	614,152	30%
2016	348,499	–	–	(836)	33,107	27,884	33,866	442,520	14%
Chief Financial Officer Thomas Haselgrove									
2017	200,205	60,580	–	25,722	26,206	78,351	20,090	411,154	24%
2016	217,965	44,980	–	8,072	24,979	15,068	18,300	329,364	10%
Total									
2017	1,211,561	70,764	–	164,879	121,596	223,327	180,127	1,972,254	20%
2016	1,177,609	68,714	–	60	135,201	42,952	164,895	1,424,536	15%

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

Non-executive Director (NED) Remuneration

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

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

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

	From 1 September 2016 $	From 1 August 2014 $
Base fee		
Chair (no other fees receivable)	160,000	160,000
Other non-executive directors	70,000	70,000
Additional fees		
Audit and Risk Management Committee – Chair	20,000	20,000
Audit and Risk Management Committee – member	10,000	–
Remuneration and Nomination Committee – Chair	20,000	20,000
Remuneration and Nomination Committee – member	10,000	–

Non-executive Directors

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

The table below shows the actual NED remuneration for FY2017.

	Base $	ARC $	RNC $	Super annuation $	Total $
Peter Margin (Chairman)	21,020	–	3,333	2,314	26,667
Neil Kearney (Chairman)	132,131	3,333	–	12,869	148,333
Simon Lester	61,758	8,333	16,667	8,242	95,000
Tony Dynon	51,104	16,667	8,333	7,230	83,334
Total Non-executive Director remuneration	266,013	28,333	28,333	30,655	353,334

The table below shows the actual NED remuneration for FY2016.

	Base $	ARC $	RNC $	Super annuation $	Total $
Peter Margin (Chairman)	126,519	–	20,000	13,919	160,438
Neil Kearney	62,417	20,000	–	7,830	90,247
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 FY2017 $	Acquired during FY2017 $	Other changes during FY2017 $	Balance at end of FY2017 $
Peter Margin (Chairman)	–	–	–	–
Neil Kearney	–	–	–	–
Simon Lester	–	–	–	–
Peter Bender	14,848,477	–	(1,750,000)	13,098,477
Frances Bender	5,794	–	–	5,794
Philip Wiese	210	–	–	210
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	258,055
PAB Contracting Pty Ltd (PAB)*	Peter, Frances Bender	Lease of equipment to Huon	98,182

* Based on commercial terms.

Directors' Report (continued)

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 2017 financial year, Huon paid a total of $51,164 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 2017 $	Consolidated 2016 $
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	240,000	240,000
Other assurance services - Audit of grant acquittal	–	–
Total remuneration for audit services	240,000	240,000
Taxation & other advisory services		
Taxation & other advisory services	96,900	5,100
Other advisory services	3,000	5,142
Total remuneration for taxation & other advisory services	99,900	10,242
Total remuneration of PricewaterhouseCoopers Australia	339,900	250,242

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.

Neil Kearney
Chairman
Date: 24 August 2017

Peter Bender
Managing Director and CEO
Date: 24 August 2017

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Auditor's Independence Declaration

As lead auditor for the audit of Huon Aquaculture Group Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Daniel Rosenberg
Partner
PricewaterhouseCoopers

Melbourne
24 August 2017

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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 24 August 2017.

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.

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

- Foster an inclusive culture of workplace diversity
- 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 implemented by the Company
- Data specific to gender split is included in the Company's Sustainability Dashboard
- Huon's Board includes an industry prominent and well experienced female Executive Director
- Huon increased its female representation in Management positions across the business.

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% (2016: 20%) female proportion on the Board
- 0% (2016: 0%) female proportion in Key Management Personnel and Senior Management
- 13% (2016: 11%) female proportion Management
- 21% (2016: 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 FY2017. 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 20 to 21 of this Annual Report.

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

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

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

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

Board and Director independence

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

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

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

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

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

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

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

Director induction and ongoing professional development

The induction of Directors is the role of the Remuneration and Nomination Committee and includes ensuring an effective orientation program is in place. Mr Tony Dynon was appointed a Director during FY2017 and undertook an appropriate induction. Directors are encouraged to engage in professional development activities and to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.

Principle 3:
Act ethically and responsibly

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

Code of Conduct

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

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

Corporate Governance Statement (continued)

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 FY2017.

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 and credit risk
	Fish feed prices, supply and quality
	Broodstock and smolt supply
	People and safety
	Fuel and energy prices
	Key facility reliance
	Legal and contractual
	IT reliability and reliance
	Brand and reputation
Environmental	Agricultural – disease, algae
	Predator
	Weather and environmental
	Fresh water supply
	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 15 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 FY2017 is set out in the Remuneration Report on pages 25 to 35 in this Annual Report.

Equity based remuneration

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

FINANCIAL REPORT

For the year ended 30 June 2017

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CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Revenue from operations	1(a)	259,650	233,809
Other income	1(b)	13,742	7,404
Expenses			
Fair value adjustment of biological assets		19,178	(1,505)
Changes in inventories of finished goods and work in progress		22,997	(3,552)
Raw materials and consumables used		(146,299)	(130,804)
Employee benefits expense	2	(56,422)	(49,122)
Depreciation and amortisation expense	2	(22,665)	(19,666)
Finance costs	2	(3,609)	(3,259)
Freight & distribution expenses		(11,749)	(16,009)
Other expenses		(18,331)	(13,242)
Total expenses		**(216,900)**	**(237,159)**
Profit before income tax expense		**56,492**	4,054
Income tax expense	24	(14,332)	(627)
Net profit for the period attributable to members of the Company		**42,160**	**3,427**

	Note	Cents per share 2017	Cents per share 2016
Earnings per ordinary share			
Basic (cents per share)	4	48.27	3.92
Diluted (cents per share)	4	48.27	3.92

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 2017

	Consolidated 2017 $'000	Consolidated 2016 $'000
Profit for the period	42,160	3,427
Other comprehensive income	–	–
Total comprehensive income for the period (net of tax)	**42,160**	**3,427**
Total comprehensive income attributable to:		
Owners of Huon Aquaculture Group Limited	42,160	3,427
	42,160	**3,427**

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Assets			
Current assets			
Cash and cash equivalents	10	23,004	3,787
Trade and other receivables	11	29,855	23,476
Inventories	12	12,375	10,998
Biological assets	3	188,015	147,217
Other financial assets	19	–	71
Current tax receivable	24	–	3
Other assets	13	3,089	2,615
Total current assets		**256,338**	**188,167**
Non-current assets			
Financial assets	18	1,341	1,341
Property, plant and equipment	6	223,129	210,490
Other assets	7	9,736	10,172
Intangible assets	29,30	2,995	2,995
Total non-current assets		**237,201**	**224,998**
Total assets		**493,539**	**413,165**
Liabilities			
Current liabilities			
Trade and other payables	14	67,811	45,297
Borrowings	15	11,188	13,878
Other financial liabilities	32	679	–
Current tax liabilities	24	–	–
Provisions	33	5,665	4,800
Other current liabilities	34	464	464
Total current liabilities		**85,807**	**64,439**
Non-current liabilities			
Borrowings	15	54,812	51,979
Deferred tax liabilities	24	55,650	41,313
Provisions	33	1,161	1,311
Other non-current liabilities	34	2,887	3,350
Total non-current liabilities		**114,510**	**97,953**
Total liabilities		**200,317**	**162,392**
Net assets		**293,222**	**250,773**
Equity			
Contributed equity	16	164,302	164,302
Other reserves	17	544	255
Retained earnings		128,376	86,216
Total equity		**293,222**	**250,773**

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 2017

	Note	Contributed Equity $'000	Retained Earnings $'000	Share-based Payment Reserve $'000	Total Equity $'000
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**

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

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 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash flows from operating activities			
Receipts from customers		267,143	236,858
Payments to suppliers and employees		(209,710)	(221,696)
		57,433	15,162
Interest received		157	66
Interest and other costs of finance paid		(3,609)	(3,259)
Income tax (paid)/refunded		8	4,355
Net cash inflow/(outflow) from operating activities	10	**53,989**	**16,324**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		130	226
Payments for property, plant and equipment		(35,045)	(44,563)
Payment for business	9	–	(1,073)
Payments for other assets		–	–
Net cash inflow/(outflow) from investing activities		**(34,915)**	**(45,410)**
Cash flows from financing activities			
Proceeds from issues of shares		–	–
Proceeds from borrowings		30,435	44,688
Repayment of borrowings		(30,292)	(25,614)
Dividends paid to company's shareholders		–	–
Net cash inflow/(outflow) from financing activities		**143**	**19,074**
Net increase/(decrease) in cash held		19,217	(10,012)
Cash and cash equivalents at beginning of financial year		3,787	13,799
Cash and cash equivalents at end of financial year	**10**	**23,004**	**3,787**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 24 August 2017 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 2017 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 2016, and therefore relevant for the current year end.

AASB 2014-3

'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'

The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in AASB 3 *Business Combinations* and other Australian Accounting Standards that do not conflict with the requirements of AASB 11 *Joint Arrangements*.

AASB 2014-4

'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'

The amendments clarify the principle in AASB 116 *Property, Plant and Equipment* and AASB 138 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

AASB 2014-9 '

Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'

The amendments to AASB 127 *Separate Financial Statements* allow an entity to use the equity method as described in AASB 128 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

AASB 2015-1

'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'

The amendments clarify certain requirements in:

- AASB 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal
- AASB 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to AASB 7 to condensed interim financial statements
- AASB 119 Employee Benefits – regional market issue regarding discount rate
- AASB 134 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

Notes to the financial statements (continued)

AASB 2015-2
'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'

This Standard amends AASB 101 *Presentation of Financial Statements* to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the Standard in determining what information to disclose, where and in what order information is presented in their financial statements.

AASB 2015-5
'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exemption

This Standard amends AASB 10 *Consolidated Financial Statements*, AASB 12 *Disclosure in Interests in Other Entities* and AASB 128 *Investments in Associates in Joint Ventures* to clarify how investment entities and their subsidiaries apply the consolidation exemption.

AASB 2016-1
'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'

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

AASB 2016-2
'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'

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

AASB 2017-2
'Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle'

This Standard clarifies the scope of AASB 12 Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

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 2 'Share-based Payments'	1 January 2018	30 June 2019
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and relevant amending standards	1 January 2018	30 June 2019
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between and Investor and its Associate or Joint Venture'	1 January 2018	30 June 2019
AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'	1 January 2018	30 June 2019
AASB 2016-6 'Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts'	1 January 2018	30 June 2019
AASB 2017-1 'Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments'	1 January 2018	30 June 2019
AASB Interpretation 22 'Foreign Currency Transactions and Advance Consideration'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
Interpretation 23 'Uncertainty over Income Tax Treatments' (Australian-equivalent pronouncement not yet issued)	1 January 2019	30 June 2020

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. However, at this stage the group does not expect to identify any new hedge relationships.

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

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $68,875,000. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

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

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

AASB 2 Share-based Payments

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

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

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

Notes to the financial statements (continued)

Performance

1. Revenue

	Consolidated 2017 $'000	Consolidated 2016 $'000
(a) Revenue from operations		
Revenue from the sale of goods	259,493	233,743
Interest income	157	66
Total revenue	**259,650**	**233,809**
(b) Other Income		
Supplier rebates and freight income	4,677	6,302
Government grants	807	783
Other	8,258	319
Total other income	**13,742**	**7,404**
Total revenue and other income	**273,392**	**241,213**

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 2017 $'000	Consolidated 2016 $'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	573	1,650
– Insurance and supplier claims	7,474	421
Expense:		
– accrued employee incentives	4,100	181
– legal fees	1,431	419
(b) Expenses		
Gross Depreciation of non-current assets	22,229	19,246
Gross Amortisation of non-current assets	436	420
Total Gross depreciation and amortisation	**22,665**	**19,666**
Depreciation – net impact recognised in changes in inventories of finished goods and work in progress	(748)	(2,032)
Net depreciation and amortisation	**21,917**	**17,634**
Interest & fees	3,609	3,259
Finance lease charges	–	–
Total finance costs	**3,609**	**3,259**
Employee benefits expense	56,133	48,867
Share-based payment expense	289	255
Total employee benefits costs	**56,422**	**49,122**
Net (gain)/loss on disposal of property, plant and equipment	**47**	**(190)**

Notes to the financial statements (continued)

3. Biological assets

	Consolidated 2017 $'000	Consolidated 2016 $'000
Biological assets at fair value (i)		
Opening balance	147,217	151,837
Increase due to production	208,349	180,974
Decrease due to sales/harvest/mortality	(186,729)	(184,089)
Movement in fair value of biological assets	19,178	(1,505)
	188,015	**147,217**
Closing fair value adjustment on biological assets	48,543	29,365
Total weight of live finfish at sea (kg 000's)	16,663	12,075

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

	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

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 2017	30 June 2016
Biological assets at fair value ($'000)	188,015	147,217
Unobservable Inputs	Adjusted weight of live finfish for fair value measurement: 14,475 tonne Price per HOG kg $13.44 to $13.94	Adjusted weight of live finfish for fair value measurement: 10,179 tonne Price per HOG kg $14.22 to $14.72
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 2017, 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 $1,285,181 higher/lower (2016: $856,860)
- A weight increase/decrease of 5% would have been a change of $2,427,135 higher/lower (2016: $1,468,226)

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 2017 cents per share	Consolidated 2016 cents per share
Earnings per ordinary share		
Basic (cents per share) (i)	48.27	3.92
Diluted (cents per share) (ii)	48.27	3.92

(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

	2017	2016
Number for basic EPS	87,337,207	87,337,207
Number for diluted EPS	87,337,207	87,337,207

Earnings used as the numerator in the calculation of EPS

	2017 $'000	2016 $'000
Earnings for basic EPS (i)	42,160	3,427
Earnings for diluted EPS (i)	42,160	3,427

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

Notes to the financial statements (continued)

5. Dividends

	Consolidated 2017 $'000	Consolidated 2016 $'000
Fully paid ordinary shares		
Dividend at the rate of nil cents per fully paid share	–	–
Total dividends provided for or paid	–	–

On 24 August 2017 the Directors recommended a final ordinary dividend of $4,367,000 (5 cents per fully paid share) to be paid on 12 October 2017 out of retained earnings at 30 June 2017. The dividend will be 50% franked. The dividend has not been provided for in the 30 June 2017 financial statements.

	Consolidated 2017 $'000	Consolidated 2016 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2016: 30%)	15,617	15,625
	15,617	15,625

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 2017 $'000	Consolidated 2016 $'000
Land and buildings		
Freehold land		
Cost	5,412	5,512
Total land	**5,412**	**5,512**
Buildings		
Cost	42,176	39,994
Accumulated depreciation	(4,364)	(2,342)
Total buildings	**37,812**	**37,652**
Total land and buildings	**43,224**	**43,164**
Plant and equipment		
Plant and equipment		
Cost	261,841	245,368
Accumulated depreciation	(107,141)	(87,111)
Total plant and equipment	**154,700**	**158,257**
Capital work in progress		
Cost	25,205	9,069
Total capital work in progress	**25,205**	**9,069**
Leased plant and equipment		
Cost	–	–
Accumulated depreciation	–	–
Total leased plant and equipment	–	–
Total plant and equipment	**179,905**	**167,326**
Total property, plant and equipment	**223,129**	**210,490**

Notes to the financial statements (continued)

6. Property, plant and equipment (continued)

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

Consolidated	Land and Buildings Freehold $'000	Land and Buildings Buildings $'000	Plant and Equipment Plant and equipment $'000	Plant and Equipment Leased plant and equipment $'000	Plant and Equipment 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**

6. Property, plant and equipment (continued)

Recognition and measurement

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

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

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

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

Class of Fixed Asset	Useful Life
Buildings	10 – 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 2017 $'000	Consolidated 2016 $'000
Marine farming leases		
Cost	16,244	16,244
Accumulated amortisation	(6,508)	(6,072)
	9,736	**10,172**

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.

Notes to the financial statements (continued)

8. Capital and leasing commitments

	Consolidated 2017 $'000	Consolidated 2016 $'000
Non-cancellable operating leases		
Not longer than 1 year	14,108	13,913
Longer than 1 year and not longer than 5 years	47,878	48,730
Longer than 5 years	6,889	16,832
	68,875	**79,475**

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 2017 $'000	Consolidated 2016 $'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
		1,192
Payable:		
Not longer than 1 year	–	1,192
Longer than 1 year and not longer than 5 years	–	–
Longer than 5 years	–	–
	–	**1,192**

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 2017.

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 2017 $'000	Consolidated 2016 $'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	23,004	3,787
	23,004	3,787
(b) Reconciliation of profit for the period to net cash inflow from operating activities:		
Profit for the period	42,160	3,427
Non-cash items		
Depreciation and amortisation	22,665	19,666
Net (gain)/loss on disposal of non-current assets	47	(190)
Share-based payment expense	289	255
(Increase)/decrease in assets		
Trade and other receivables	(6,308)	(3,825)
Biological assets and inventories	(42,175)	5,128
Current tax receivable	3	4,354
Prepayments	(474)	1,710
Increase/(decrease) in liabilities		
Trade and other payables	23,193	(14,331)
Current tax liabilities	–	–
Deferred tax liabilities	14,337	628
Provisions	715	(34)
Other liabilities	(463)	(464)
Net cash inflow from operations	**53,989**	**16,324**

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 2017 $'000	Consolidated 2016 $'000
Trade receivables	28,387	20,468
Provision for impairment	(242)	(260)
Other receivables	1,710	3,268
	29,855	**23,476**
Provision for impairment		
Movements in the provision for impairment were as follows:		
Carrying value at the beginning of the year	(260)	(212)
Provision for impairment recognised	(402)	(48)
Receivables written off as uncollectable	420	–
Provision for impairment at year end	**(242)**	**(260)**
Trade receivables past due but not impaired		
Under one month	7,719	6,109
One to three months	307	122
Over three months	–	16
	8,026	**6,247**

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.

Notes to the financial statements (continued)

12. Inventories

	Consolidated 2017 $'000	Consolidated 2016 $'000
Processed fish & finished goods	5,720	5,722
Feed and packaging	7,138	5,509
Inventory provisions	(483)	(233)
	12,375	**10,998**

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 2017 $'000	Consolidated 2016 $'000
Prepayments	3,089	2,615
	3,089	**2,615**

14. Trade and other payables

	Consolidated 2017 $'000	Consolidated 2016 $'000
Trade payables	58,433	42,080
Other payables	9,378	3,217
Goods and services tax (GST) payable	–	–
	67,811	**45,297**

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 2017 $'000	Consolidated 2016 $'000
Current		
Secured		
Finance lease liabilities	–	–
Bank Loans	9,851	12,867
Other Loans	1,319	993
Unsecured		
Other loans	18	18
	11,188	**13,878**
Non-current		
Secured		
Finance lease liabilities	–	–
Bank Loans	54,764	51,931
Other Loans	–	–
Unsecured		
Other loans	48	48
	54,812	**51,979**
	66,000	**65,857**

The weighted average effective interest rate on the bank loans is 3.45% per annum (2016: 3.40% per annum).

	2017 $'000		2016 $'000	
	Limit	Undrawn Balance	Limit	Undrawn Balance
Term Loan	65,000	–	75,000	28,750
Term Loan	30,000	30,000	30,000	14,000
Working Capital	6,000	6,000	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	103,500	–	113,500	–
Aggregate Undrawn Balance	–	36,200	–	45,950

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 2.75 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 2017		Consolidated 2016	
	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.

		2017		2016	
	Note	No.	$'000	No.	$'000
(b) Movements in ordinary share capital					
At the beginning of the reporting period	(i)	87,337,207	164,302	87,337,207	164,302
Share subdivision		–	–	–	–
Issue of new shares		–	–	–	–
Less: Transaction costs arising on share issues		–	–	–	–
At the end of the reporting period		**87,337,207**	**164,302**	**87,337,207**	**164,302**

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

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

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

There are no unquoted equity securities on issue.

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

(c) Capital Management

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

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

There are no externally imposed capital requirements.

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

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

Notes to the financial statements (continued)

16. Issued capital (continued)

	Consolidated 2017 $'000	Consolidated 2016 $'000
Total borrowings	66,000	65,857
Less cash and cash equivalents	(23,004)	(3,787)
Net debt	**42,996**	62,070
Total equity	**293,222**	250,773
Gearing ratio	**14.7%**	24.8%

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 2017 $'000	Consolidated 2016 $'000
Balance at the beginning of financial year	255	–
Share-based payment expense	289	255
Balance at the end of financial year	**544**	**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 2017 $'000	Consolidated 2016 $'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.

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 2017 $'000	Consolidated 2016 $'000
Derivatives carried at fair value		
Foreign currency forward contracts	–	71
	–	**71**

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.

20. Fair value measurements (continued)

Impairment

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

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

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

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

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

Derecognition

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

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 2017 $'000	Consolidated 2016 $'000
Financial Assets		
Cash and cash equivalents	23,004	3,787
Trade and other receivables	29,855	23,476
Derivative financial instruments	–	71
Total Financial Assets	**52,859**	**27,334**
Financial Liabilities		
Trade and other payables	67,811	45,297
Borrowings	66,000	65,857
Derivative financial instruments	679	–
Total Financial Liabilities	**134,490**	**111,154**

21. Financial risk management (continued)

(a) Credit risk

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

Credit risk also arises in relation to financial guarantees given to certain parties (see notes 22 and 27(c)(ii) for details). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

(b) Liquidity risk

Management monitors rolling forecasts of the Consolidated Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 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 2017 $'000	Consolidated 2016 $'000
Floating rate	–	–
Expiring within one year (bank loans)	6,000	3,000
Expiring beyond one year (bank loans)	30,000	42,750
	36,000	**45,750**

Maturities of financial liabilities

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

(a) based on their contractual maturities:

  (i) all non derivative financial liabilities

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

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

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

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

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

21. Financial risk management (continued)

Contractual maturities of financial liabilities	Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	Carrying Amount $'000
At 30 June 2016					
NON DERIVATIVES					
Borrowings	32,480	70,159	–	102,639	65,857
Trade and other payables	45,297	–	–	45,297	45,297
Total expected outflows	**77,777**	**70,159**	**–**	**147,936**	**111,154**
DERIVATIVES					
Net settled (forward foreign exchange contracts)					
– (inflow)	(71)	–	–	(71)	(71)
– outflow	–	–	–	–	–
Total expected (inflow)/outflow	**(71)**	**–**	**–**	**(71)**	**(71)**

(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 2017: 98% (2016: 98%) of Consolidated Group debt is floating. The Consolidated Group also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

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

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

	Weighted average interest rate		Consolidated notional principal value	
	2017 %	2016 %	2017 $'000	2016 $'000
Floating rate instruments				
Bank Loans	3.45%	3.40%	65,000	65,250
			65,000	**65,250**

21. Financial risk management (continued)

Interest rate sensitivity analysis

At 30 June 2017, 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 $214,453 higher/$214,453 lower (2016 changes of 50bps/50bps: $108,144 higher/$75,553 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 2017 $'000	Consolidated 2016 $'000
Trade payables (import creditors)	11,232	2,040
Forward exchange contracts		
Buy foreign currency (cash flow hedges)	40,363	22,579
Sell foreign currency (cash flow hedges)	4,417	2,906

Consolidated Group sensitivity

Based on the financial instruments held at 30 June 2017, 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 $3,746,927 higher/$4,029,072 lower (2016: $2,192,527 higher/$1,793,886 lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

Recognition and measurement

Foreign Currency Transactions and Balances

FUNCTIONAL AND PRESENTATION CURRENCY

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

TRANSACTIONS AND BALANCES

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

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

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

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 2017 $'000	Consolidated 2016 $'000
Statement of financial position		
Assets		
Current assets	–	167
Non-current assets	168,103	167,936
Total assets	**168,103**	**168,103**
Liabilities		
Current liabilities	–	–
Total liabilities	**–**	**–**
Equity		
Issued capital	164,302	164,302
Share-based payment reserve	544	255
Retained earnings	3,257	3,546
Dividends provided for or paid	–	–
Total equity	**168,103**	**168,103**
Financial performance		
Loss for the period	289	–
Total comprehensive income	**289**	**–**

Parent Entity financial information

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

Transactions with related entities

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

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

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 $4,404,767 (tax effected at 30%) (2016: $1,225,809 (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 Instrument 2016/785 issued by the Australian Securities and Investments Commission.

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

The companies disclosed in note 31 represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Huon Aquaculture Group Limited, they also represent the 'extended closed group'.

24. Income tax

	Consolidated 2017 $'000	Consolidated 2016 $'000
(a) Income tax recognised in profit or loss:		
Tax (expense)/income comprises:		
Current tax (expense)/income	5	1,387
Adjustments for current tax of prior periods	2,616	(1,386)
Increase in deferred tax assets	(2,647)	1,701
Increase in deferred tax liabilities	(14,306)	(2,329)
Total tax expense	**(14,332)**	**(627)**
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	**56,492**	**4,054**
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%) for the Consolidated Group.	(16,948)	(1,216)
Adjustment recognised in the current year in relation to prior years:		
Research and development	3,315	599
Other	(691)	–
Non-tax deductible items	(8)	(10)
Income tax (expense)	**(14,332)**	**(627)**
The applicable weighted average effective tax rates are as follows:	25.4%	15.5%
(b) Income tax recognised directly in equity:		
Deferred tax:		
Share issue costs	–	–
	–	–
(c) Current tax balances:		
Current tax receivables comprise:		
Income tax receivable attributable to:		
Entities in the tax-Consolidated Group	–	3
Net current tax balance	–	3
Current tax liabilities comprise:		
Income tax payable attributable to:		
Entities in the tax-Consolidated Group	–	–
Net current tax balance	–	–

Notes to the financial statements (continued)

24. Income tax (continued)

(d) Deferred tax balances:

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

2017	Opening balance $'000	Charged to income $'000	Adjustments for current tax of prior periods $'000	Closing balance $'000
Gross deferred tax liabilities:				
Biological assets	(40,667)	(12,144)	–	(52,811)
Property, plant and equipment	(6,440)	(2,382)	(927)	(9,749)
Trade and other receivables	(72)	51	–	(21)
Other non-current assets	(2,200)	131	–	(2,069)
Other financial assets	(388)	38	–	(350)
	(49,767)	**(14,306)**	**(927)**	**(65,000)**
Gross deferred tax assets:				
Provisions	1,833	215	–	2,048
Other financial assets	–	–	–	–
Trade and other receivables	57	219	–	276
Property, plant and equipment	214	(17)	–	197
Other intangibles	3	–	–	3
Share issue expenses	1,026	(346)	–	680
Tax Losses	4,010	(3,697)	224	537
Research and development	–	–	3,315	3,315
Borrowing costs	4	–	4	8
Share-based payments	76	87	–	163
Deferred Revenue	1,144	(139)	–	1,005
Trade and other payables	87	1,031	–	1,118
	8,454	**(2,647)**	**3,543**	**9.350**
Net deferred tax asset/(liability)	**(41,313)**	**(16,953)**	**2,616**	**(55,650)**

2016	Opening balance $'000	Charged to income $'000	Adjustments for current tax of prior periods $'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)**

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

	Consolidated 2017 $	Consolidated 2016 $
Short-term employee benefits	1,993,210	1,576,944
Post-employment benefits	152,251	168,469
Long-term benefits	–	–
Termination benefits	–	–
Share-based payments	180,127	164,895
	2,325,588	**1,910,308**

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

Notes to the financial statements (continued)

26. Share-based payment

(a) Share-based payment arrangements

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

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

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.

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

Number of Shares to be Allocated

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

Earnings Per Share (EPS) – 50% of LTI

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

Return On Assets (ROA) – 50% of LTI

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

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

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.

26. Share-based payment (continued)

(b) Performance rights granted

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

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

2016	Performance Period							
Grant Date	From	To	Balance at Start of Year	Granted During Year	Forfeited	Vested	Balance at End of Year	FV per Share
25-Nov-15	1-Jul-15	30-Jun-16	–	47,834	(47,834)	–	–	$4.04
25-Nov-15	1-Jul-15	30-Jun-17	–	47,834	–	–	47,834	$4.04
25-Nov-15	1-Jul-15	30-Jun-18	–	47,834	–	–	47,834	$4.04
19-Oct-15	1-Jul-15	30-Jun-16	–	60,783	(60,783)	–	–	$4.01
19-Oct-15	1-Jul-15	30-Jun-17	–	60,783	–	–	60,783	$4.01
19-Oct-15	1-Jul-15	30-Jun-18	–	60,783	–	–	60,783	$4.01

(c) Fair value of performance rights granted

For the performance rights granted during the current financial year, the fair values were measured at the grant date of 30 November 2016 for those granted to the Chief Executive Officer and 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	$3.71	$3.71
Dividend yield (per annum effective)	0%	0%
Risk free discount rate (per annum)	2.80%	2.80%
Expected price volatility	24.0%	24.0%
Term of performance right	1-3 years	1-3 years
Fair value of performance right	$3.71	$3.71

The expense recognised in relation to performance rights applicable to the Chief Executive Officer and senior management for the year ended 30 June 2017 is $289,032 (2016: $254,910).

26. Share-based payment (continued)

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 2017 $	Consolidated 2016 $
(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	240,529	125,726
Superannuation Contributions		
Contributions to superannuation funds on behalf of employees	21,051	8,890
(iii) Dividend revenue		
Key Management Personnel	–	–
(iv) Purchases from entities controlled by Key Management Personnel		
The group acquired the following goods and services from entities that are controlled by members of the group's Key Management Personnel:		
Land, Buildings and Property, Plant and Equipment	–	–
Leases of assets	356,236	402,982
	356,236	402,982
(v) Outstanding balances arising from sales/purchases of goods and services		
Current Payables:		
Entities controlled by close family members	31,540	126,160
Entities controlled by key management personnel	–	–
	31,540	126,160

(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 2017 $	Consolidated 2016 $
Salmon Enterprises of Tasmania Pty Ltd	1,404,915	698,043

(ii) Financial guarantee contract

During the 2012 financial year the Consolidated Group became party to a $7.02 million facility that Salmon Enterprises of Tasmania Pty Ltd entered into with BankWest through a financial guarantee contract. The facility was amended during the 2017 financial year. The Consolidated Group's guarantee is for $0.98 million.

Notes to the financial statements (continued)

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 2017 $	Consolidated 2016 $
(a) PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	240,000	240,000
Other assurance services – audit of grant acquittal	–	–
Total remuneration for audit and other assurance services	240,000	240,000
(ii) Taxation & other advisory services		
Taxation & other advisory services	96,900	5,100
Other advisory services	3,000	5,142
Total remuneration for taxation and other advisory services	99,900	10,242
Total remuneration of PricewaterhouseCoopers Australia	**339,900**	**250,242**
(b) Non PricewaterhouseCoopers firms		
(i) Audit and other assurance services		
Other assurance services	28,589	37,890
Total remuneration for audit and other assurance services	28,589	37,890
(ii) Taxation services		
Taxation advisory services	20,085	209,312
Total remuneration for taxation services	20,085	209,312
(iii) Other services		
Legal services	–	–
Total remuneration for other services	–	–
Total remuneration of non-PricewaterhouseCoopers firms	**48,674**	**247,202**

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

29. Goodwill

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Gross carrying amount			
Balance at the beginning of financial year		4,496	4,209
Additions	9	–	287
Balance at the end of financial year		**4,496**	**4,496**
Accumulated impairment losses			
Balance at the beginning of financial year		(1,601)	(1,601)
Impairment losses for the year		–	–
Balance at the end of financial year		**(1,601)**	**(1,601)**
Net book value			
Balance at the beginning of financial year		2,895	2,608
Balance at the end of financial year		**2,895**	**2,895**

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

Goodwill acquired during the 2016 financial 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 FY2017, 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 2016 and 2017 reflect changes in the anticipated timing of future cash flows.

	2017	2016
Long-term growth rate	3.0%	3.0%
Pre-tax discount rate	14.6%	15.0%

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 2017 $'000	Consolidated 2016 $'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.

Notes to the financial statements (continued)

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.

			Ownership interest held by the Consolidated Group	
Name of subsidiary	**Principal place of business**	**Note**	**2017 %**	**2016 %**
Huon Aquaculture Company Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117		100%	100%
Springs Smoked Seafoods Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Springfield Hatcheries Pty Ltd	32-36 Headquarters Road, South Springfield, TAS, 7260	(i)	100%	100%
Huon Ocean Trout Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Huon Shellfish Co Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Huon Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Huon Smoked Seafoods Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Huon Smoked Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Huon Seafoods Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Huon Tasmanian Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Springs Smoked Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)	100%	100%
Southern Ocean Trout Pty Ltd	2 Esplanade, Strahan, TAS, 7468	(i)	100%	100%
Morrison's Seafood Pty Ltd	2 Esplanade, Strahan, TAS, 7468	(i)	100%	100%
Meadowbank Hatchery Pty Ltd	2 Esplanade, Strahan, TAS, 7468	(i)	100%	100%

Significant restrictions

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

The wholly-owned subsidiaries above are relieved from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of financial reports. Refer to Note 23 for further details.

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

32. Other Financial Liabilities

	Consolidated 2017 $'000	Consolidated 2016 $'000
Derivatives carried at fair value		
Foreign currency forward contracts	679	–
	679	**–**

Refer to note 20 for fair value measurement and hierarchy.

33. Provisions

	Consolidated 2017 $'000	Consolidated 2016 $'000
Provisions		
Current		
Employee benefits	5,665	4,800
Non-current		
Employee benefits	1,161	1,311
	6,826	**6,111**

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the annual leave provision of $4,122 (2016: $3,599) 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 2017 $'000	Consolidated 2016 $'000
Leave obligations expected to be settled after 12 months	4,648	3,628

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.

Notes to the financial statements (continued)

34. Other liabilities

	Consolidated 2017 $'000	Consolidated 2016 $'000
Deferred government grants		
Current	464	464
Non-Current	2,887	3,350
	3,351	**3,814**

During the 2015 financial year government grants of $5,000,000 were received relating to the Parramatta Creek Smokehouse and Product Innovation Centre. The nature of the grants related to both income and to assets. During the financial year $463,000 (2016: $464,000) 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 2017 $'000	Consolidated 2016 $'000
Revenue from the sale of goods			
Domestic market		243,751	175,123
Export market		15,742	58,620
Total revenue from the sale of goods	1(a)	**259,493**	**233,743**
Results from segment activities			
Domestic market		64,793	34,289
Export market		3,248	1,566
Total results from segment activities		**68,041**	**35,855**
Unallocated		(21)	(1,599)
Interest income		157	66
Other income		13,742	7,404
Fair value adjustment of biological assets		19,178	(1,505)
Depreciation and amortisation expense		(22,665)	(19,666)
Finance costs		(3,609)	(3,259)
Other expenses		(18,331)	(13,242)
Profit before income tax expense		**56,492**	**4,054**

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

On 24 August 2017 the Directors of the Company recommended the payment of a final ordinary dividend of $4.4m (5 cents per fully paid share) to be paid on 12 October 2017 out of ordinary retained earnings at 30 June 2017. The Dividend will be 50% franked. The dividend has not provided for in the 30 June 2017 financial statements.

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 45 to 93 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 2017 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

Neil Kearney
Chairman
Date: 24 August 2017

Peter Bender
Managing Director and CEO
Date: 24 August 2017

Independent auditor's report

To the shareholders of Huon Aquaculture Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Consolidated Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

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

What we have audited

The Consolidated Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- consolidated statement of cashflows
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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Our audit approach

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

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

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

Materiality

- For the purpose of our audit we used overall Consolidated Group materiality of $1,170,000, which represents approximately 2.5% of the earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for the fair value adjustment for biological assets and averaged for the current and two previous financial years. The depreciation and amortisation was calculated as outlined in note 2(b) to the financial report.

- We chose EBITDA prior to any fair value adjustment for biological assets because, in our view, it is the metric against which the performance of the Consolidated Group is most commonly measured. An average was used due to fluctuations in EBITDA from year to year caused by a number of factors, which include (but are not limited to) environmental conditions and domestic and export pricing and demand.

- We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

Audit Scope

- Our audit focused on where the Consolidated Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Consolidated Group's accounting processes are performed by a central finance function at the corporate head office in Hobart, where we predominately performed our audit procedures.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Accounting for biological assets (refer to note 3) The Consolidated Group held biological assets of \$188 million at 30 June 2017. The biological assets include broodstock, eggs, juveniles, smolt and live finfish. Australian Accounting Standards require biological assets to be measured at fair value less costs to sell or, in the absence of a fair value, at cost less impairment. The Consolidated Group has valued each of the biological assets. We considered the valuation of live finfish above 1kg to be a key audit matter due to the significant judgement involved in estimating: The total weight of live finfish at sea (based on number of fish and weight); Expected mortalities of finfish prior to harvesting; Selling price per HOG/kg; and Costs to sell of HOG/kg	Our audit procedures in relation to the Consolidated Group's fair value calculation of live finfish above 1kg, included: • Considering the valuation methodology against the relevant Australian Accounting Standard • Testing the mathematical accuracy of the calculations • Assessing the historical accuracy of forecasting and estimation by comparing prior year estimate to actual performance Our audit procedures over specific valuation inputs included: *Number of live finfish at sea* • We performed a reconciliation of the number of live finfish by obtaining the opening balance and comparing the known movements (fish intakes, harvest and mortalities for the year) to supporting documentation on a sample basis in order to assess the reasonableness of the number of live finfish at year end.

pwc

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

Key audit matter	*How our audit addressed the key audit matter*
	• We assessed the sensitivity of the calculations to changes in the Consolidated Group's estimate of selling price by applying other values within a reasonably possible range. *Costs to sell of HOG/kg* • We compared the estimated costs to sell to the actual costs incurred in the year taking into account any known changes to such costs in the future.
Impairment - tangible assets (refer to note 6 The Consolidated Group operates a capital intensive business and has undertaken significant capital investment since listing in October 2014. This has resulted in the Consolidated Group having a significant value of property, plant and equipment of $223,129,000 at 30 June 2017. The Consolidated Group's results since listing have been variable. Australian Accounting Standards require the Consolidated Group to consider whether there have been any events or circumstances that indicate that the carrying amount of assets may be impaired. This consideration takes into account impairment indicators such as: - actual or forecast net cash outflows or operating profits or losses may be significantly worse than expected; - evidence of obsolescence or physical damage to an asset; - significant adverse changes impacting the manner in which an asset is used or is expected to be used; and - net assets of the entity exceeding its market capitalisation. As these assets are subject to depreciation, there is no requirement to perform formal testing in the absence of indicators of impairment.	Our audit procedures over relevant impairment indicators included: - assessing the historical accuracy of forecasting and estimation by comparing prior year forecast to actual performance; - sighting of tangible assets on a sample basis and assessment of obsolescence or physical damage (in conjunction with discussions with management independent to the finance function); and - comparing the value of the net assets of the entity at year end to the market capitalisation based on the actual share price at that date

Key audit matter	*How our audit addressed the key audit matter*
The assessment for impairment indicators of tangible assets was considered a key audit matter due to the property, plant and equipment totalling $223,129,000 at 30 June 2017 (representing the largest asset in the balance sheet) and the judgement required in estimating future performance for the Consolidated Group.	

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Message, Managing Director's Review, Financial Summary, Key Financials, Board of Directors, Directors' Report, Corporate Governance Statement, Shareholder Information and Glossary of Terms included in the Consolidated Group's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 25 to 35 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Huon Aquaculture Group Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

Daniel Rosenberg
Partner

Melbourne
24 August 2017

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 24 August 2017.

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	13,098,477	15.00%
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	15	83,014,801	95.05%
10,001 to 100,000	77	1,926,788	2.21%
5,001 to 10,000	129	961,603	1.10%
1,001 to 5,000	438	1,110,532	1.27%
1 to 1,000	856	323,483	0.37%
Total	**1,515**	**87,337,207**	**100.00%**

The number of holders of less than a marketable parcel of ordinary shares, equivalent to 99 ordinary shares, was 33 and they held 89 shares (based on a market price of $5.04 at the close of trading on 24 August 2017).

Top 20 largest shareholders

Rank	Name	24 Aug 2017	%IC
1	SURVEYORS INVESTMENTS PTY LTD ACN 602 004 179	44,527,252	50.98%
2	PETER JAMES BENDER	13,098,477	15.00%
3	CITICORP NOMINEES PTY LIMITED	7,261,611	8.31%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,318,173	4.94%
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,977,959	4.55%
6	UBS NOMINEES PTY LTD	3,111,510	3.56%
7	NATIONAL NOMINEES LIMITED	1,987,429	2.28%
8	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MBA A/C>	1,039,762	1.19%
9	BNP PARIBAS NOMS PTY LTD <DRP>	853,837	0.98%
10	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	771,300	0.88%
11	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	702,577	0.80%
12	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	599,454	0.69%
13	BOND STREET CUSTODIANS LTD <MACQUARIE SMALLER CO'S A/C>	532,090	0.61%
14	BOND STREET CUSTODIANS LTD <MACQ AUS EMERGING COMPANIES>	118,230	0.14%
15	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	115,140	0.13%
16	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	94,532	0.11%
17	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	93,733	0.11%
18	WAL ASSETS PTY LTD <THE L A WILSON PROPERTY A/C>	77,632	0.09%
19	CHRISTOPHER CHONG	73,700	0.08%
20	MR ALEC HERBERT PURVES	61,022	0.07%
Total		83,415,420	95.51%
Balance of register		3,921,787	4.49%
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 60,060.

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 planned to roll out a number of strategic capital projects across its operations which are intended to expand production, increase efficiency and maintain the consistency and high quality of fish produced
Corporations Act	*Corporations Act 2001* (Cth)
DPIPWE	Tasmanian Department of Primary Industries, Parks, Water and Environment
EBIT	Earnings before interest and tax. This is a non-IFRS measure
EBITDA	Earnings before interest, tax, depreciation and amortisation. This is a non-IFRS measure

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 Plan Rules and an Invitation
Plan	Plan refers to the Huon Aquaculture Group Ltd Long Term Incentive Plan and Bonus Plan as set out in the Plan Rules
PwC	PricewaterhouseCoopers
R&D	Research and development
Rabobank	Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.
Related Body Corporate	Has the meaning given by section 50 of the Corporations Act
Rules	Rules refer to the terms and conditions of the Plan
Salmonids	Collective name for all salmon fish species, including trout
Smolt	A young salmon
Sustainability Dashboard	A dashboard on Huon's website which provides information concerning Huon's salmon farming practices, management of the welfare of its fish and the impact on the environment
TPD	Total permanent disability
TPDNO	Total Permissible Dissolved Nitrogen Output
TSGA	Tasmanian Salmonid Growers' Association, Tasmania's peak body representing salmon growers throughout Tasmania
Value added products	Raw fish which undergo processing in order to be turned into other products such as skin-on or skin-off fillets, portions, cutlets, smoked products, pate or caviar
WFE	Whole fish equivalent
Year Class	The calendar year in which the smolt (salmon) or fingerling (trout) enters the sea for on-growing

CORPORATE DIRECTORY

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

Senior Executives
Peter Bender, Managing Director and CEO
Frances Bender, Executive Director
Philip Wiese, Deputy CEO
Thomas Haselgrove, CFO

Company Secretary
Thomas Haselgrove

Registered Office
Huon Aquaculture Group Limited
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Principal Place of Business
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Dover TAS 7109

Auditor
PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006

Bankers
Commonwealth Bank of Australia
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Collins Square, 727 Collins Street
Melbourne VIC 3008

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

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

The Home Exchange is
Melbourne, Victoria

ASX Code: HUO

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

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Huon Aquaculture Group Limited