GROWING HUON IN NEW ENVIRONMENTS

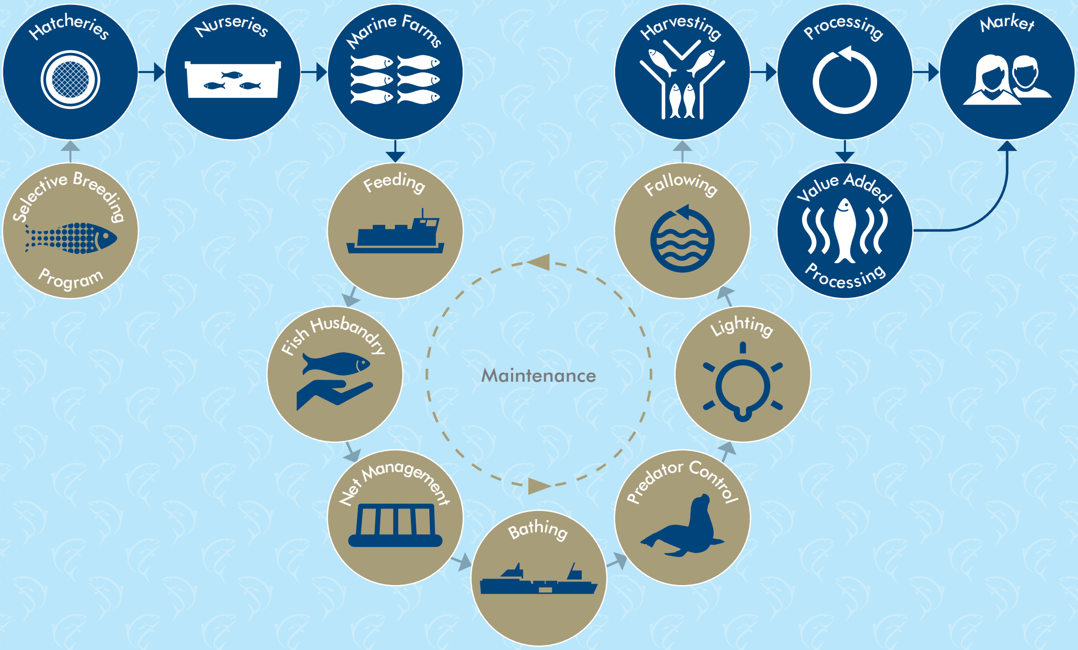
HUON AQUACULTURE GROUP LIMITED

ANNUAL REPORT 2019

Contents

Huon has invested $350 million over the past five years to ensure it is able to supply the growing demand for salmon in the years ahead. In order to operate on a larger scale and in areas not previously farmed in Tasmania, Huon has continued to innovate and engineer solutions by leveraging technology to position it at the cutting edge of aquaculture.

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, welfare and quality.



Annual General Meeting 2019

The Annual General Meeting of Huon Aquaculture Group Limited will be held at The Stables, RACV/RACT Hobart Apartment Hotel 154–156 Collins Street Hobart, Tasmania on 23 October 2019.

Huon Aquaculture opened its Whale Point Salmon Nursery during the year, the first in the southern hemisphere. This allows salmon to be grown larger on land before being transferred out to sea.

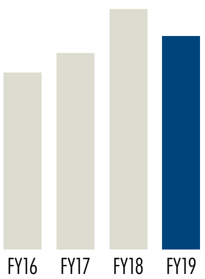
Key Financials

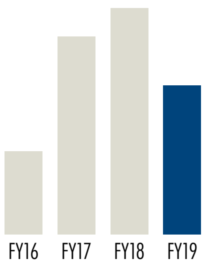
Sales revenue
$282.0m
FY2018: $317.9m

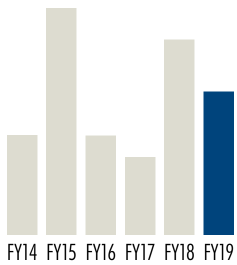
Operating EBITDA
$47.3m
FY2018: $71.8m

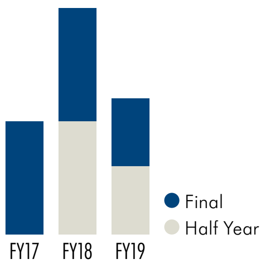
Capital Expenditure
$350m
FY2014–FY2019

Dividend
6.0c/s
FY2019: 3.0cps+3.0cps
FY2018: 5.0cps+5.0cps









Operational Summary

- Sales volume fell 18% on the previous year due primarily to a significant reduction in biomass at the commencement of FY2019 following challenging operating conditions over the previous summer. This was further exacerbated by increased mortalities and poor fish growth arising from a moon jellyfish bloom commencing in November 2018 and a secondary impact as affected salmon developed gill necrosis.
- Revenue declined 11% as strong pricing in the domestic market mitigated some of the impact from reduced volumes.
- Operating margins declined from 22.6% to 16.8% as a result of the lower sales revenue and increased per kg production costs.
- The lower operating margins are also reflected in the Fair Value Adjustment which declined by $9.1 million. The combined effect is a reduction in NPAT from $26.4 million to $9.5 million.
- The significant fall in volumes resulted in some difficult decisions with regards to continuity of supply. Huon's longstanding arrangements to supply its Australian customer base meant that an 18% fall in production left it without fish to supply export, particularly in the Asian market. Diversifying our sales into markets outside Australia remains an important objective and renewed efforts are being made to rebuild and establish new relationships in the Asian region.
- The fair value of Huon's biomass at year end increased by $39.7 million to $209.1 million. This demonstrates the size of Huon's rebuild and expansion of its biomass which started in the middle of calendar 2018. Biomass in the water at 30 June 2019 was 16,886 tonnes, a 30% increase on the 12,960 tonnes at 30 June 2018.
- In November there was a jellyfish bloom that affected fish predominantly in the Huon River estuary that initially caused increased fish mortalities but subsequently a more serious secondary impact through gill necrosis causing poor fish growth rates. The resulting reduction in production volumes has driven up costs of production per kg by 18% to $11.73.
- Huon's capital expenditure of $64.3 million for FY2019 was focused on completing construction of the Whale Point Salmon Nursery and expanding production capacity in Storm Bay. The majority of funds came from renegotiated debt facilities, resulting in net debt increasing 71% on pcp to $138.8 million and gearing rising to 44%.
- Adjusted Cash Flow from Operations fell during the year from $57.0 million to $24.9 million as a result of the reduced production volumes, higher costs and the increased cash requirement associated with rebuilding the biomass.
- With the major capital expenditure programs of recent years now complete, Huon's focus in FY2020 will be on consolidating operations and extracting the productivity benefits that operating at scale combined with innovative technology are designed to deliver. The operating environment for salmon in Australia, and globally, remains supportive as supply continues to lag behind the growth in demand. This is expected to underpin pricing in the domestic market at levels around $14.50 per HOG kg.

Chairman's Message

Neil Kearney
Chairman

It has been an eventful and, at times, very difficult year for Huon. We completed the second and final stage of our recent $150 million capital expenditure programme which will enable Huon to expand its production capacity over the next 3-5 years in line with the continued growth in demand for salmon in Australia. This year we opened our land based salmon nursery at Whale Point and in May 2019 Huon was granted an Environmental Licence to operate a new lease in Storm Bay. At the same time we faced a number of environmental events during the year that at times tested Huon's staff to their limits.

The year began with reduced expectations of production volumes as a result of bringing forward fish for harvest in FY2018. The outlook deteriorated, however, due to a combination of warm water temperatures that extended through to April and the secondary impacts on fish health and growth rates as a result of contact with moon jellyfish late in 2018. Fish mortalities and poor recovery in growth rates resulted in lower tonnages and higher production costs per kg that weighed heavily on FY2019 earnings.

Whether farming on land or sea, the reality is that the environment exerts a significant influence over the capacity of any business to deliver growth in sales and earnings. This year, despite being well prepared and responding quickly, the events that unfolded made it difficult for Huon to match last years' performance.

Business performance

In FY2019 Huon delivered revenues of $282 million, a reduction of 11% on the previous year largely due to the 18% decline in harvest volumes from 22,968 tonnes the previous year to 18,849 tonnes. Revenues were nevertheless supported by higher salmon prices which responded to the shortfall in supply by an average increase of 8% to $14.96/HOG kg.

Our Operating EBITDA of $47.3 million was significantly below the record set in 2018 of $71.8 million, as lower sales combined with higher costs associated with managing the various environmental events. Huon's statutory net profit after tax (NPAT) fell 64% to $9.5 million which includes a reduction in the Fair Value Adjustment (FVA) by $9.1 million which reflects the reduction in margins.

The decline in the FVA masks the 23% increase in the overall fair value of biological assets over the year from $169.4 million to $209.1 million as Huon works to rebuild and expand its biomass. This will deliver improved harvest volumes in FY2020 of at least 25,000 tonnes and beyond that a return to harvest volumes that grow in line with the increase in market demand.

Our commitment to expanding our business to take advantage of the continued growth in domestic demand for salmon has seen net debt rise from $81.3 million to $138.8 million with gearing at 44%. Capital expenditure in coming years is expected to moderate to around $40 million per annum as we move into a phase of bedding down the significant investments made over the past two years and extracting the production efficiencies that are part of the process.

Strategy

Huon's growth has been guided by its commitment to an over-arching business strategy based on growing the market; growing production and enhancing operational efficiency; and doing so safely and sustainably. Over the five years up to, and including, 2019 in excess of $350 million has been invested in the context of delivering on this strategy.

During the implementation of the $200 million Controlled Growth Strategy phase we focused on re-engineering every step in our production processes to enable us to operate in high-energy sites offshore. We also ensured our systems, technology and infrastructure were world class, innovative and designed to build additional layers of efficiency and resilience into our business.

The Huon three pillar business strategy

In 2017 the Board approved the second stage of a two year $150 million capital investment programme, this time to enable the Company to almost double its production capacity. This included upscaling Huon's infrastructure, starting with construction of the largest salmon nursery in the southern hemisphere at Whale Point and the commissioning of two new feed barges and a well-boat that each have almost double the capacity of those currently in use.

The Board expects the level of investment in the business to moderate as the focus shifts to delivering the operational and productivity benefits enabled by the significant capital expenditure over the past five years. The size and scale of the changes in the business should not be underestimated and will create a step change in Huon's growth over the next five years.

FY2020 will be the first year since 2014 that Huon has not been implementing significant changes to the way it operates. The next few years, therefore, will be a period of consolidation and working to maximise production efficiencies.

Dividend

Huon's dividend policy is to maintain an annual dividend pay-out ratio of up to 35% of net operating profit after tax, subject to the financing and capital expenditure requirements of the Company.

In light of the environmental challenges that have held back the financial performance of the business in FY2019, Directors have declared a final dividend of 3.0 cents per share, franked at 50%. This brings the total dividend payment for the year to 6.0 cents per share.

The final dividend will be paid on 17 October 2019 to shareholders as at the record date of 27 September 2019.

People

The wellbeing of our people remains of paramount importance at Huon. This includes a commitment to developing health and safety programs within the business, which has translated into an overall improvement in safety performance during FY2019. Huon is equally focused on delivering its People & Capability strategy, which provides clear career pathways and this year included the very successful Huon Leaders program.

Conclusion

Your Directors are confident Huon's sound business strategy, combined with the completion of our significant investment program, has positioned the business to enter a new growth phase. The company has demonstrated its resilience to a range of extreme weather and environmental events over the past year. At the same time it has completed the implementation of a major infrastructure programme that will allow Huon to expand capacity and drive operational efficiencies. We are very confident that the investment undertaken over the past two years will form the foundation for sustainable improvements to revenue, earnings and shareholder returns over the coming years.

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

Neil Kearney, Chairman

Managing Director's Review

Peter Bender
Managing Director and
Chief Executive Officer

> "Huon Aquaculture's financial performance in FY2019 suffered from the impact of two environmental events which were both costly to manage as well as having a material effect on the health and growth of our salmon. They highlight the risks and challenges that are faced when working with nature and a reminder that while there are many things we cannot control, we can prepare for them, manage through the difficult period as efficiently as possible and ensure the business is resilient enough to recover quickly."

Expanding capacity

Our commitment to building both resilience and capacity continued during FY2019 with completion of the final stage in the roll out of a $75 million capital expenditure programme. Much of the work being done as part of this programme is innovative and ground breaking, not just in Australia but globally, including our grow-out facility at Whale Point, 60km south of Hobart. This is designed to enable Huon to increase its production capacity over the next 3-5 years to meet the steady increase in demand for Atlantic salmon grown in Tasmania.

Whale Point Salmon Nursery in operation

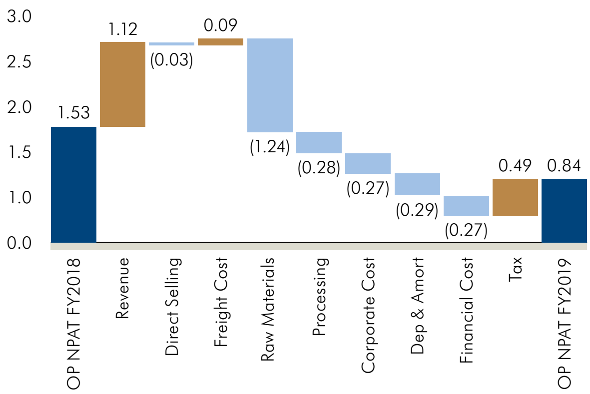
Construction of the new salmon nursery at Whale Point was completed in December 2018 and commissioned in February 2019 when the first intake of 300,000 juvenile salmon were transferred from Huon's Forest Home hatchery to Whale Point. The current season will see just under 2 million smolt through the facility with an average weight of over 400gm. This includes a population of fish which were put to sea at greater than 1.0kg. These were the biggest land-grown salmon ever recorded in the southern hemisphere. They will remain at sea for 9-10 months until harvest in March/April 2020.

Fish harvest affected by jellyfish

The growing season started well and, despite commencing the year with a significant reduction in biomass due to poor operating conditions in the summer of the previous year, there was an expectation that production targets would be achieved. In the closing weeks of 2018 however Huon leases in the Huon River and D'Entrecasteaux Channel were struck by a moon jellyfish bloom, an infrequent event with last occurrence in the summer of 2012/3. While quickly controlled, there were fish mortalities and there was an expectation that growth rates would be affected. Nevertheless a more serious secondary impact manifested during January and February as affected salmon also developed gill necrosis which was exacerbated by the persistently high warm water temperatures.

In a similar pattern to the previous year, water temperatures in Huon's southern Tasmania growing sites remained high beyond February through to April. Temperatures above 16°C are not optimal for growth, nor are they conducive to recovery from gill necrosis. As a consequence production volumes for the year fell further due to higher than expected mortalities and lower fish weights. Although an infrequent event, any future outbreak should have less impacts for Huon as it is planned to have much less fish stocked at these highest impacted sites.

Operating NPAT Comparison
FY2018 – FY2019 ($/kg sold)



New lease granted in Storm Bay

Huon's investment in new infrastructure over the past five years to enable it to farm salmon in high-energy sites at Storm Bay will help to provide some protection from the impacts from warm water temperatures and jellyfish blooms. The 2018 and 2019 salmon Year Class will see the full utilisation of two of the four Storm Bay lease sites and commencement of stocking at the new Yellow Bluff lease.

In May 2019 Huon was granted an Environmental Licence for a new lease at Storm Bay in the area known as East of Yellow Bluff. The new lease site is 1.5kms from Bruny Island and will not only allow an expansion of capacity in Storm Bay by up to 11,500 tonnes but also enable Huon to deliver improved biosecurity by including further separation of Year Classes of fish.

Overview of Financial Performance

The impact of the events, just outlined, on Huon's harvest and sales for FY2019 was significant. Volumes fell (18%) as a consequence of the significant reduction in tonnage arising from the poor summer the previous year and the impacts from the moon jellyfish. With current fish at sea, and the new Year Class well underway, we have a commitment to rebuild the biomass back to production levels that would have been in place if not for the losses experienced over the past 18 months. While revenue fell 11% for the year due to lower volumes, the impact was mitigated by higher prices. The average price per HOG kg rose 8% to a record $14.96 as the market adjusted to the shortage of supply.

Profitability was impacted by higher than expected mortalities and poor growth rates leading to low harvest weights. Additional costs were incurred in managing the moon jellyfish bloom and disruptions caused by bush fires that threatened Huon facilities over the summer.

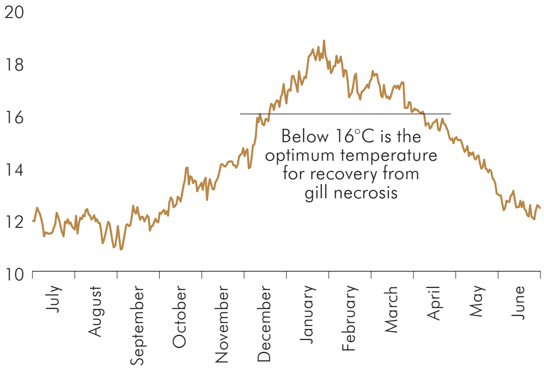
As a result the average cost of production per HOG kg for the year rose from $9.91 to $11.73. While the average cost of production fell in the second half of FY2019 compared to the first half, it is expected that it will remain elevated in the first half of FY2020 as a result of the effects of lower growth from gill necrosis on the 2018 Year Class.

The net effect of both lower sales and higher costs was a 34% fall in Operating EBITDA to $47.3 million, with margins declining from 23% to 17%.

Importantly, the significant investment in rebuilding the biomass that began in 1H2019 is reflected in a 23% uplift in the fair value of biological assets to $209.1 million at the end of FY2019 compared to the previous year.

The increased capital expenditure commitments during the year were funded entirely from cash flow and borrowings, resulting in overall net debt rising from $81.3 million to $138.8 million at the end of FY2019 and gearing (net debt/net assets) at 44%. While Huon has not operated with this level of gearing since listing in 2014, new debt facilities negotiated last year included improved covenants that support the current debt level.

Average Daily Water Temperature
FY2019 (°C @ 5 metres)



Source: Australian Government Bureau of Meteorology Summary

Operating overview

The key drivers underlying Huon's performance during FY2019 were:

- Lower than expected tonnages and reduced average fish weight due to challenging growing conditions over summer
- Higher per kg costs of production arising from the initial reduction in volumes at the start of the year, increased further as a result of fish mortalities and poor growth rates from the jellyfish bloom secondary health impacts for fish exposed to the jellyfish
- The continued strength in the international and domestic salmon price.

Huon harvested 18,849 tonnes of fish during FY2019, which was below our target production of 20,000 tonnes set at the beginning of the year for the reasons previously outlined. The average fish harvest weight of 4.40kg for the year was well below the previous five year average of 4.60kg reflecting the extent to which fish growth was impacted by gill necrosis, and the warm water temperature. This was particularly evident in the second half when the average weight fell to 4.10kg. Further flow-on effects can be anticipated in FY2020 until the 2018 Year Class fish weight recovers.

The reduced volume of salmon available for sale necessitated a short term shift in Huon's marketing strategy with priority placed on meeting the domestic market. Hard won contracts over the previous 18 months with retail clients in the international market could not be fulfilled, resulting in sales falling from 7% to 2% of revenue. With production volumes picking up in FY2020 and beyond, a renewed effort to target contracted revenue in the Asian market is underway.

Huon's increase in production capacity puts it in a strong position to increase market share for Australian grown salmon. With demand for salmon growing by 10%pa in Australia, Huon is focused on at least matching that rate of growth in supply. In FY2019 28% of sales went through the retail channel and 64% into the wholesale market. Maintaining supply through the retail channel is a key focus for Huon's strategy and the opening of the Ingleburn processing and distribution facility in NSW ensures fresh quality product to the large eastern seafood market.

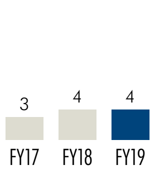
While Huon has had to manage its supply shortfall with customers over the past year, the issue of supply falling short of demand remains an issue both domestically and globally.

Prices in the domestic market were stable following increases late in FY2018 and are expected to continue to trade at similar levels in FY2020 while the market rebuilds biomass to levels capable of meeting demand. Huon received record prices for its salmon, averaging $15.63/kg in the wholesale market compared with $14.92/kg in FY2018.

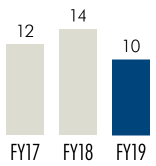
International salmon prices have also remained robust during the year as the growth in global demand for salmon (7%pa) continues to outstrip the major producer countries' ability to increase supply. Both Norway and Chile are operating with supply constraints, including access to new leases, which is an issue for producing countries globally. Rabobank has forecast supply growth over the next two years of 3% in 2020 and 7% in 2021, which is expected to underpin an average price of 62-63 NOK from 2019 to 2021 (cf. 60 NOK, 2017-2018).

During the year our Yellowtail Kingfish trial at Port Stephens NSW was successfully concluded. We were also granted a lease site off the coast of Geraldton, Western Australia, to undertake a two year investigation into the suitability of this location for farming Yellowtail Kingfish.

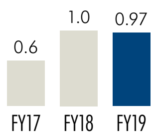
Lost Time Injury Frequency Rate (LTIFR)
Per million hours worked



Average Lost Time Rate (ALTR)
Hours lost per employee



Incident Rate (IR)
Lost Time Injuries per 100 employees



People and Safety

Huon continues to review and improve its safety systems, programs and processes. This includes an ongoing focus on the development and implementation of structured health and safety programs. These are aimed at not only reducing our risks but also improving the wellbeing of our workforce and supporting the ability of our people and leaders to manage safety effectively.

A key part of this is ensuring that the Consultation, Cooperation and Coordination Framework continues to support the expansion of activities across the group.

Overall safety performance continued to improve, particularly the ALTR which fell from 14 hours lost per employee the previous year to 10 hours.

Capability Building

Huon has maintained a commitment to developing its workforce and building capability. The People & Capability strategy continues to be rolled out, including the successful Huon Leaders program which has supported 42 participants in activities designed to strengthen their leadership capacity. The program has also laid the groundwork for a future program that will harness the skill sets of Huon's Emerging Leaders in FY2020.

Huon is committed to the ongoing development of the workforce with 115 employees completing VET sector training courses including Certificate III Aquaculture, Seafood Processing, Electro technology and other role specific development training. General literacy, numeracy and digital literacy support continues to be offered to all employees.

In FY2020 a new, whole of business Innovation Program will be introduced to foster the development of innovation as a core skill set. This will build on the culture of innovation and employee idea generation that is a part of Huon's DNA.

Future leadership capability has been a strong focus over the past twelve months with the development of a Succession Planning framework to support senior management to identify, develop and engage the current and future leadership cohort on a consistent basis. Supporting this framework is a Workforce Development strategy which provides clear and transparent career development options to assist in retaining and attracting talent.

Outlook

We have good reason to be confident that Huon's performance will be significantly better than the year just ended. The new financial year starts with record biomass in the water, two of the four Storm Bay sites in production, and new Year Class fish going to the new lease at East of Yellow Bluff. By December 2019 50% of Huon's total 20,000 tonne lease allocation within Storm Bay will be in production which, together with the 16,500 tonnes from the Huon River, D'Entrecasteaux Channel and Macquarie Harbour, should deliver a harvest of at least 25,000 tonnes in FY2020.

The Whale Point Nursery has started to deliver larger fish for the final grow out stage at sea, shortening the period that salmon are in the water from 14 months to 9-10 months. This will enable us to better manage the existing leases at sea, including longer fallow periods between stocking, which in turn delivers biosecurity and environmental benefits.

The first of two new purpose built 600 tonne feed barges was towed to and moored in Storm Bay in March 2019. Specially designed to operate in this environment, it is fully automated, unmanned and able to hold much larger quantities of fish feed than our other feed barges. This will ensure that fish can continue to be fed in any weather, allowing them to fully realise their growth potential.

With around one third of production coming from Storm Bay, and no adverse events, we expect the average HOG weight this year will be close to 5kg. Nevertheless while we remain focused on driving operating efficiencies through the business, the residual impact of the fish losses and growth impacts from the 2018 Year Class will slow the rate at which the cost of production comes down. We are therefore expecting cost of production (including freight) to be above $11.50/HOG kg in FY2020 but reducing for FY2021 to around $10.50/HOG kg.

Revenue will benefit from pricing being sustained at up to $14.50/HOG kg given that domestic demand continues to grow at around 10% pa whilst the supply dynamics both domestically and globally continue to be tight.

Huon's channel mix in FY2020 will change following the conclusion of a three year retail supply agreement in June 2019. While its primary focus will continue to be on growing its wholesale business, new strategies to supply Huon branded salmon to a range of food retail outlets and suppliers, as well as supermarkets, are being actively pursued.

Early in FY2020 Huon was successful in securing contracts for the sale of six of its cured, cold and hot smoked branded product range within Coles supermarkets nationally (including two Ocean Trout products). This is a big step change for Huon in terms of the distribution of its branded products. Approximately half the adult Australian population shops at Coles and will now be exposed to the brand for the first time in more than five years. This increased profile, together with growing production volumes for sale in coming years, will drive greater investment in marketing the brand. This is consistent with our focus on increasing per capita consumption of salmon in Australia together with raising Huon's premium brand positioning within the domestic market.

We expect retail sales to at least reflect the growth in demand, with a particular focus on NSW following the opening of Huon's new processing facility which will enable it to supply fresh salmon to outlets in Sydney and the rest of the eastern seaboard.

The major capital expenditure programmes of recent years are now complete and Huon will concentrate on consolidating operations and extracting the productivity benefits that operating at scale combined with innovative technology are designed to deliver.

The building blocks are now in place for Huon to deliver the expansion in production that was envisaged at the time its Controlled Growth Strategy was launched in 2014. We have record biomass in the water which is expected to translate into a harvest of at least 25,000 tonnes in FY2020 and fish in production that will support a 30,000 tonne production in FY2021. The market remains undersupplied relative to demand which should support average pricing up to $14.50/kg over the short to medium term. Together these are set to deliver strong revenue growth which, combined with steady gains in productivity over the next three years, will translate into rising profitability and improved returns for shareholders.

Peter Bender, Managing Director
and Chief Executive Officer

Financial Summary

– Harvest tonnage fell 18% due to a significant reduction in biomass carried over from the previous year together with increased mortalities and poor fish growth as a result of contact with moon jellyfish in late 2018. Improved salmon pricing mitigated the impact on revenue which nevertheless declined by 11%.

– Operating NPAT declined 55% to $15.9 million on lower volumes, reduced revenue and higher per kg production costs. Statutory NPAT fell 64% to $9.5 million due to a decline in the Fair Value Adjustment of Biological Assets.

– Reduced harvest volumes resulted in supply being concentrated on the domestic market with retail channels taking 28% and the wholesale market 64%. Export volumes fell 64% to 1,851 tonnes.

– Average harvest weights declined from 4.78kg to 4.40kg due predominantly to the emergence of gill necrosis in fish affected by the jellyfish and exacerbated by warmer water temperatures persisting for longer at levels that were not conducive for the compromised fish to thrive.

– Operating EBITDA fell 34% to $47.3 million as falling revenue and higher per kg production costs squeezed margins down from 23% to 17%. Average cost of production rose from $9.91/HOG kg in FY2018 to $11.73/HOG kg.

– The final stage of a large two year capital expenditure program saw $64.3 million spent on the completion of the Whale Point nursery and installation of new infrastructure at Storm Bay. This was largely debt funded resulting in net debt and gearing increasing to $138.8 million and 44%.

– The fair value of Huon's biomass at year end increased by $39.7 million to $209.1 million. Biomass in the water at 30 June 2019 was 30% higher at 16,886 tonnes compared to 30 June 2018.

		FY2019	FY2018	FY2017
Tonnage	t	**18,849**	22,968	18,448
Revenue[(1)]	$M	**282.0**	317.9	259.5
Revenue per HOG kg	$/kg	**14.96**	13.84	14.07
EBITDA[(2)]	$M	**38.2**	58.9	82.0
EBITDA per HOG kg	$/kg	**2.03**	2.56	4.44
EBITDA margin	%	**13.5%**	18.5%	31.6%
EBIT	$M	**12.5**	34.2	60.1
NPAT	$M	**9.5**	26.4	42.2
Fair value adjustment	$M	**(9.1)**	(12.9)	19.2
Related income tax (expense)/refund[(3)]	$M	**2.7**	3.9	(5.8)
Biological assets	$M	**209.1**	169.4	188.0
Earnings per share	c	**10.82**	30.21	48.27
Return on assets[(4)]	%	**2.2%**	6.7%	12.2%
Operating cash flow	$M	**14.5**	57.9	54.0
Net debt[(5)]	$M	**138.8**	81.3	43.0
Total gearing ratio[(6)]	%	**44.2%**	26.1%	14.7%

Tonnage

18,849t

(FY2018: 22,968t)

Sales Revenue[(1)]

$282.0m

(FY2018: $317.9m)

Sales Revenue by Channel:

Wholesale

64% (FY2018: 58%)

Retail: Domestic

28% (FY2018: 24%)

Retail: International

2% (FY2018: 7%)

Export

6% (FY2018: 11%)

Employees

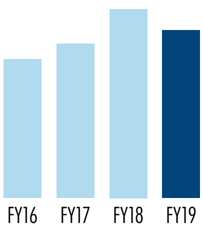
665

(FY2018: 600)

Operating Earnings and Cash Flow

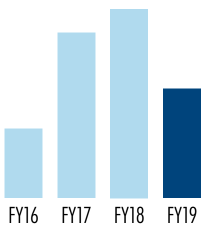
Revenue[(1)]

$282.0m



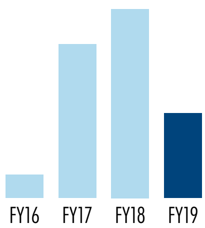
Operating EBITDA[(7)]

$47.3m



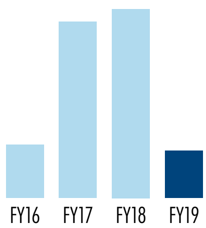
Operating NPAT[(8)]

$15.9m



Operating Cash Flow

$14.5m



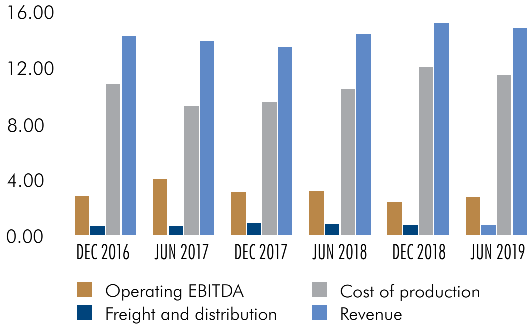
1 Revenue from the sale of goods.
2 EBITDA is a non-IFRS financial measure which is used to measure business performance, using net depreciation and amortisation recognised in the income statement.
3 Related income tax at current tax rate.
4 Return on Assets is measured as statutory EBIT/average total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

Key Financials

Operational Performance

Six months ended		30 Jun 2019	31 Dec 2018	30 Jun 2018	31 Dec 2017
Harvest volume HOG	t	9,830	9,019	10,275	12,693
Revenue from operations	$M	145.7	136.3	147.4	170.5
Revenue $/HOG kg	$/kg	14.82	15.11	14.35	13.43
Cost of production	$M	(112.7)	(108.4)	(107.1)	(120.6)
Cost of production $/HOG kg	$/kg	(11.46)	(12.02)	(10.42)	(9.50)
Freight and distribution	$M	(7.2)	(6.3)	(7.7)	(10.7)
Freight and distribution $/HOG kg	$/kg	(0.73)	(0.70)	(0.75)	(0.84)
Operating EBITDA*	$M	25.7	21.6	32.6	39.2
Operating EBITDA $/HOG kg	$/kg	2.62	2.39	3.17	3.09
Margin	%	17.7%	15.8%	22.1%	23.0%
Fair value adjustment	$M	(34.1)	25.0	(25.2)	12.3

Operational Performance

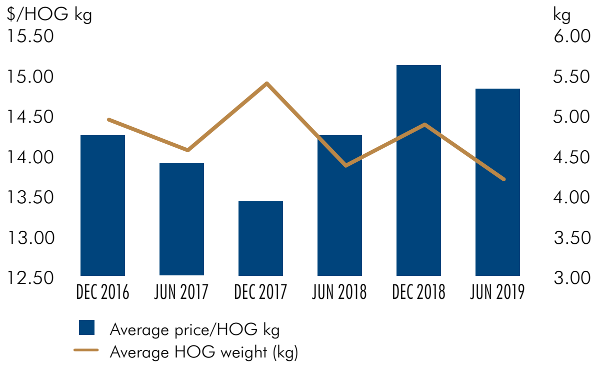


- A reduction in biomass levels at the start of the year due to challenging operating conditions in the previous summer combined with losses due to a moon jellyfish event, resulted in a significant fall in production volumes. Expectations of harvest volumes of circa 23,000 tonnes at the beginning of the year fell well short by year end to just under 19,000 tonnes.
- Salmon prices responded to the shortfall in supply that emerged during the course of the year in Australia with Huon achieving a record average price in the first half of $15.11kg
- The cost of production per kg was seriously affected by the lower tonnage and unplanned activities associated with managing events such as the jellyfish bloom and bushfires in the Huon Valley over summer. Production costs peaked in the first half at $12.02/HOG kg.
- Reduced revenue combined with higher costs contributed to much tighter operating margins which fell from 23% in FY2018 to 17% in FY2019. Operating EBITDA/HOG kg fell to $2.39/kg in the first half of the year.

Biological Assets

Six months ended		30 Jun 2019	31 Dec 2018	30 Jun 2018	31 Dec 2017
Biological assets at fair value	$M	209.1	228.5	169.4	195.3
Fair value adjustment (FVA)	$M	26.6	60.7	35.7	60.9
Biological assets (excluding FVA)	$M	182.5	167.8	133.7	134.4
Total weight of live finfish at sea	t	16,886	18,939	12,960	17,475
Biological asset value/kg (live)	$/kg	12.38	12.07	13.07	11.18
Fair value adjustment/kg (live)	$/kg	1.58	3.21	2.75	3.48
Biological assets/kg (live) (excluding FVA)	$/kg	10.81	8.86	10.32	7.69
Number of fish (harvest)	000's	2,397	1,888	2,404	2,398
Sales volume (HOG kg)	t	9,830	9,019	10,275	12,693
Average HOG weight	kg	4.10	4.78	4.27	5.29
Average price/HOG kg (net sales)	$/kg	14.82	15.11	14.35	13.43
Net sales	$M	145.7	136.3	147.4	170.5

Fish weight and price



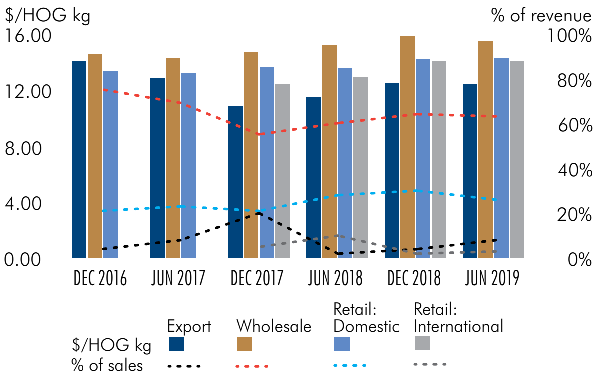
- The fair value of biological assets rose 23% (over pcp) to $209.1m while biomass at sea rose 30% (over pcp) to 16,886 tonnes. This includes the significant rebuild of the biomass that commenced in the first half of the year.
- Biological assets per kg (excluding FVA) rose 5% (over pcp) to $10.81, a reflection of the rise in per kg production costs from lost fish and lost growth.
- The $9.1m decline in the Fair Value Adjustment for FY2019 reflects squeezed margins from the higher per kg cost.
- Average harvest weight fell in the second half to 4.10kg reflecting the impact on fish health as some fish contracted gill necrosis following contact with jellyfish. This was exacerbated by the poor growing conditions as water temperatures remained high to the end of April.

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

Sales Channel

Six months ended		30 Jun 2019	31 Dec 2018	30 Jun 2018	31 Dec 2017
Wholesale HOG kg	t	5,981	5,507	5,820	6,372
Retail Domestic HOG kg	t	2,615	2,895	3,054	2,611
Retail International HOG kg	t	288	213	1,146	636
Export HOG kg	t	946	404	255	3,074
Total HOG kg	t	9,830	9,019	10,275	12,693
Wholesale % of revenue	%	63%	64%	60%	55%
Retail Domestic % of revenue	%	26%	30%	28%	21%
Retail International % of revenue	%	3%	2%	10%	5%
Export % of revenue	%	8%	4%	2%	20%
Wholesale $/HOG kg	$/kg	15.46	15.81	15.17	14.69
Retail Domestic $/HOG kg	$/kg	14.30	14.21	13.57	13.62
Retail International $/HOG kg	$/kg	14.06	14.08	12.91	12.45
Export $/HOG kg	$/kg	12.48	12.47	11.47	10.87

Distribution Channels by Price and Contribution to Sales

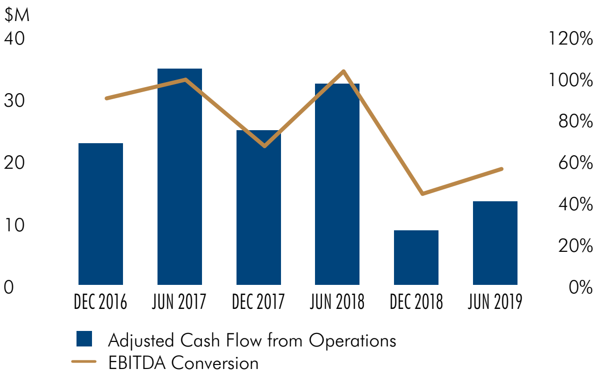


- The focus of sales shifted firmly back onto the domestic market as sales into new retail markets in Taiwan and China, which last year accounted for 7% of revenue, ceased due to the shortage of supply. Small volumes to longstanding customers in Japan were however maintained.
- Volumes supplied to the domestic retail channel were largely maintained despite demand continuing to grow. The proportion of Huon's sales into this segment increased to 28% across the year, peaking at 30% in the first half.
- Supply constraints also saw Huon continue to reduce its volumes sold into the export spot market from 3,329 tonnes in FY2018 to 1,350 tonnes in FY2019. Uncontracted export sales over the year accounted for 6% of revenue.
- The wholesale market continues to be Huon's dominant segment by volume and sales (64%) with prices increasing during the year to record levels.

Cash Generation

Six months ended		30 Jun 2019	31 Dec 2018	30 Jun 2018	31 Dec 2017
Operating EBITDA*	$M	25.7	21.6	32.6	39.2
Cash flow from operations	$M	16.0	(1.6)	34.8	23.2
Add – net interest paid	$M	5.4	2.8	1.7	1.6
– tax paid/(refunded)	$M	(5.2)	7.5	(4.2)	–
Adjusted cash flow from operations	$M	16.2	8.7	32.3	24.8
EBITDA conversion	%	63%	40%	99%	63%
Capex	$M	22.9	41.4	44.5	43.2
Cash at end of period	$M	2.6	4.5	2.8	7.4

Operational Cash Flow



- The decline in profit due to lower sales and lower margins resulted in operating cash flow(before tax and interest) falling from $57.0m (in pcp) to $24.9m.
- EBITDA conversion averaged 53% across the year as per kg costs continued to rise during the second half, a time typically associated with costs easing following the rebuilding of the biomass in the first half. This year weaker profitability as a result of increased per kg operating costs combined with the costs of building a much larger biomass, put additional strain on cash flow in the second half.
- Huon spent $64.3m in capex, which included funding the final stage of construction of the Whale Point nursery as well as continued expansion of marine farms in Storm Bay.
- Net debt rose 70% to $138.8m as it funded the majority of the capex spend during the year. This resulted in gearing rising to 44%, a level which is expected to be maintained over the short term.

Operating in unique environments

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.

Map Key

- **Offices**
- **Processing facilities**
- **Farming regions**

A Bridport Hatchery
B Springfield Hatchery
C Millybrook Hatchery
D SALTAS Hatchery
E Derwent Hatchery
F New Norfolk Brood Facility
G Bagdad Brood Facility
H Lonnavale Hatchery
I Forest Home Hatchery
J Whale Point Salmon Nursery

Onshore

Whale Point Salmon Nursery, located on the Huon River, is the southern hemisphere's first onshore salmon nursery and represents a step change in our production capability.

Marine regions

Macquarie Harbour

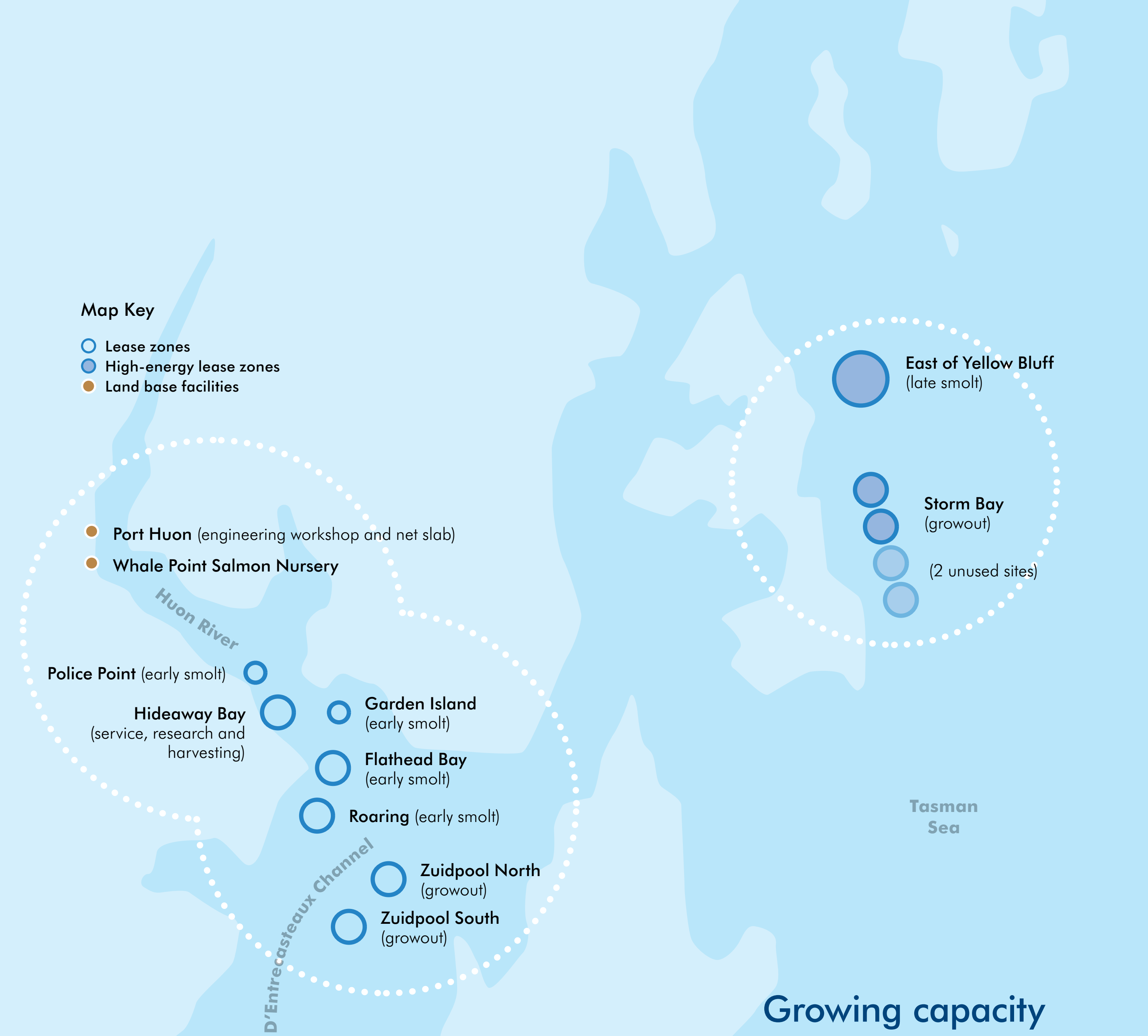
Less than 10% of Huon's salmon production comes from Macquarie Harbour with stocking densities kept low in order to manage sustainable farming in this unique water system.

Huon River and D'Entrecasteaux Channel

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

Storm Bay

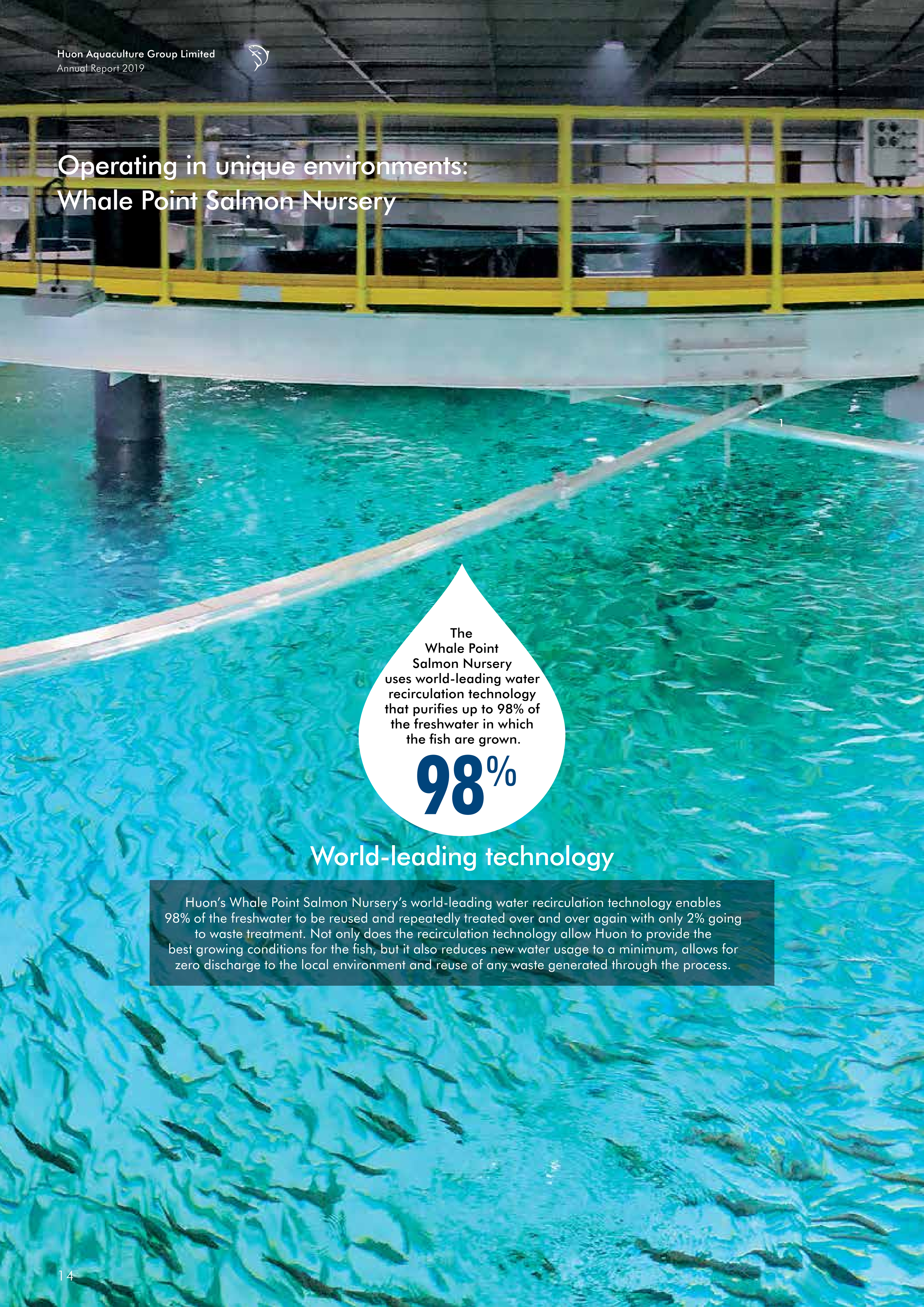
Huon began farming Storm Bay in 2014 as part of its long term growth strategy to shift salmon farming into high-energy offshore sites. The granting of the new East of Yellow Bluff lease in Strom Bay will double the capacity of our offshore sites.



Growing capacity

With the focus for expansion solely on high-energy offshore sites, the Storm Bay leases together with the new site at East of Yellow Bluff provide Huon with the lease capacity to produce an additional 11,500 tonnes over the next three to five years.

Operating in unique environments: Whale Point Salmon Nursery



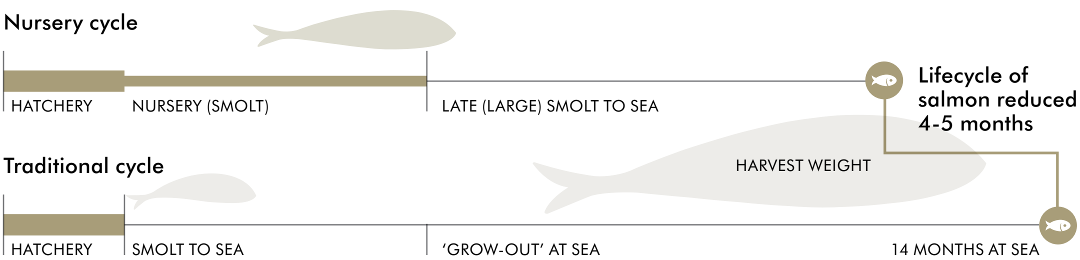
The Whale Point Salmon Nursery uses world-leading water recirculation technology that purifies up to 98% of the freshwater in which the fish are grown.

98%

World-leading technology

Huon's Whale Point Salmon Nursery's world-leading water recirculation technology enables 98% of the freshwater to be reused and repeatedly treated over and over again with only 2% going to waste treatment. Not only does the recirculation technology allow Huon to provide the best growing conditions for the fish, but it also reduces new water usage to a minimum, allows for zero discharge to the local environment and reuse of any waste generated through the process.

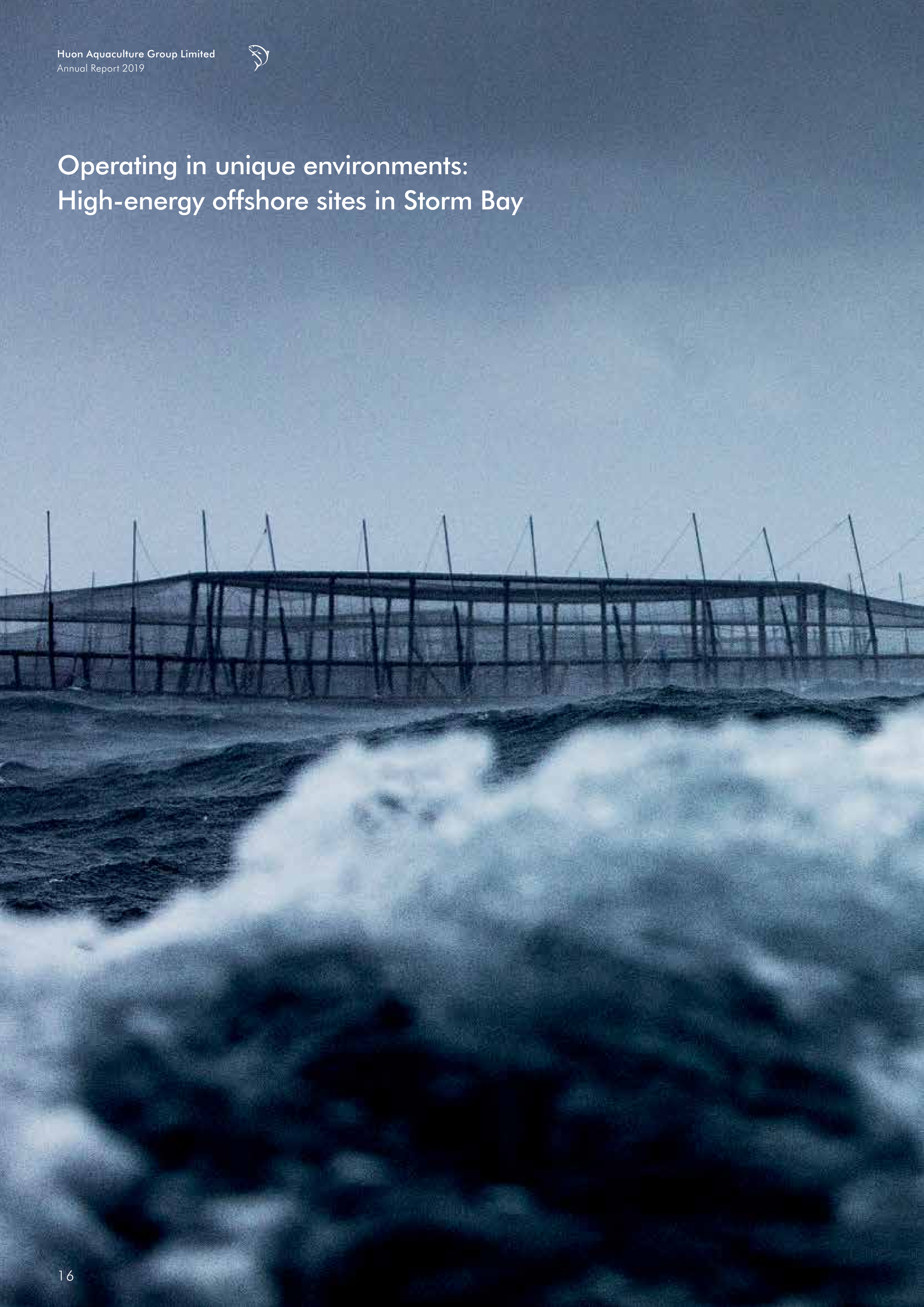
1 Left: The Whale Point Salmon Nursery's first fish.
2 The biggest nursery-grown salmon in the southern hemisphere.
3 David Mitchell, Freshwater General Manager.



Setting new benchmarks

By growing our salmon larger on land, we improve the efficiency of our overall production cycle by reducing the time our salmon spend at sea from 14 months, to 9-10 months. This allows Huon to better manage existing leases and reduce the impact on the environment. Importantly the reduced time at sea reduces Huon's agricultural and environmental risks. Huon is setting a new benchmark for salmon farming in Tasmania.

Operating in unique environments: High-energy offshore sites in Storm Bay



1%

Huon has some of the lowest stocking densities in the world at a maximum of 8-12kg per m^3. To give this context, our pens currently contain approximately 99% water and 1% fish.

Giving our fish room to move

By giving our salmon plenty of room to move they are able to behave naturally. Salmon have complex social structures and by keeping a population of fish together throughout their life, we allow them to build and maintain cohesive communities. Low stocking densities means oxygen in the seabed can break down nutrients more quickly and can easily deal with organic enrichment from our farm operations. When salmon are relaxed and allowed to behave normally in a clean, healthy environment, they feed better, they grow quicker and when it comes time to harvest our fish, the benefit is seen in the quality of our products.

Operating in unique environments: Using innovative technology

Huon's Fortress Pens

Automated feeding technology

The Huon Hogan Feed Barge

Ronja Huon Well-Boat

Huon technology

In March 2019 a new unmanned and fully automated 600 tonne feed barge (the Huon Hogan) was moored at Storm Bay (a second is currently under construction). It is supplied by the Huon Supply, a new 1,000 tonne feed delivery boat. Feeding is monitored from Huon's central feed control-room in Hobart. This combination significantly reduces the number of trips required to fill the feed barges plus automated feeding software ensures fish are fed 24/7, 365 days a year, in all weather conditions.


HOGAN

Growing through innovation

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

Whale Point Salmon Nursery

Our new Whale Point Salmon Nursery was completed in December 2018 with the first intake commencing in February 2019. Whale Point is a $43 million investment that keeps Huon at the cutting edge of innovation and represents the biggest change in product development and process for the aquaculture industry since the implementation of Huon's offshore farming. It is a 1,400 tonne, land based salmon nursery that allows the transfer of more mature smolt to sea, delivering significant benefits for production volumes, the wellbeing of the fish and the environment.

In its first season of operation the average weight of smolt to sea is greater than 400gms, compared to Huon's 2018 average smolt weight of around 220gms. The time these fish spend at sea will be reduced by between 30-40%, from an average of 14 months, to 9-10 months. This shorter grow out time allows us to increase capacity from our existing leases, while reducing the risk of mortalities and disease in our fish and improving the biosecurity and environmental performance of our operations. The faster grow out times will also help to even out the harvest profile across the coming years.

The Whale Point Salmon Nursery allows Huon to significantly increase our production capacity, which supports the growth potential in our offshore sites at Storm Bay.

Investing in innovation

Our strategic vision is built on a commitment to growth and continuous improvement and we have accelerated the pace of investment in the business. Over the past two years we have built on the success of the controlled growth strategy with a further $150 million capital investment in new infrastructure and innovations to drive even greater efficiency at a lower cost of production.

- **Automated Feeding.** Huon has completed the development of proprietary technology, software and systems needed for the fully automated feeding of our increased production volumes. 100% of our fish are fed by the new system that incorporates artificial intelligence and machine learning to track consumption of feed pellets and optimise feeding patterns. The operators at the Central Control Room can also conduct visual net checks and monitor the environmental conditions in each pen in real time.
- **Bigger Feed Barges.** The increase in the volume of fish Huon is farming has driven innovation in our feed barge technology. In December of last year we launched the first of our next generation 600 tonne feed barges, with a second now under construction. These next generation feed barges are fully automated and unmanned. Their increased volume means we need to make fewer feed delivery trips, have increased feed security and no missed feed days.
- **Bigger Well-Boat.** Huon will also be operating the world's largest well-boat, the Ronja Storm, to transport and bathe the increased production capacity.
- **Fortress Pens.** Huon developed its ground breaking fortress pen technology in 2014, which has allowed us to farm high-energy offshore sites to deliver:
  - » Better fish health and welfare
  - » Reduced environmental impact
  - » Reduced predator interactions
  - » Improved biosecurity.

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

1 Huon's central feed control room.
2 The Whale Point Salmon Nursery's first fish. (Photo Patrick Tigges)
3 The world's largest well-boat, the Ronja Storm, in Turkey, due in Tasmania December 2019.
4 The Huon Hogan, the southern hemisphere's largest most technologically-advanced feed barge.
5 View over the nursery to the Huon River. (Photo Patrick Tigges)
6 Ronja Huon, the Company's current well-boat.

Growing domestic demand

Australians love seafood and our increasing rates of fish consumption reflect a growing demand for food that tastes good, is good for you, has a high protein content and is sustainably produced.

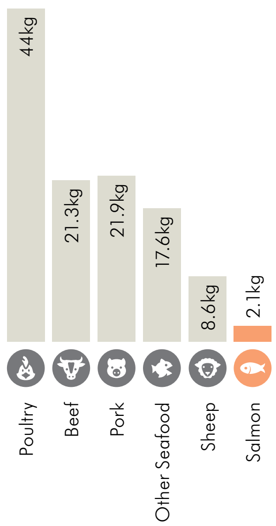
In Australia the market for Atlantic Salmon has been growing rapidly over the past 10 years with virtually all of the increased demand for seafood proteins being met by aquaculture. Last year around 63,000 tonnes of farmed Atlantic Salmon was produced, making salmon the most valuable aquaculture species in Australia.

Locally grown Atlantic salmon in is only produced in Tasmania due to the required climatic conditions and in recent years the industry has become the leading farming activity in the State, well ahead of dairy, beef, wool, wine and the once iconic apple industry.

In FY2019 Huon produced just under 19,000 tonnes and held a domestic market share of approximately 30%. Its recent expansion in capacity has however put in place a growth profile that should see production rise to over 35,000 tonnes in the next five years, enabling Huon to meet the expected 10% per annum growth in domestic demand for fresh salmon and potentially lift its domestic market share in a supply constrained environment.

Per capita annual consumption of salmon in Australia has risen from 1.06kg in 2006 to 2.10kg (finished goods) in 2018 but is well behind comparable developed nations, particularly the Scandinavian countries (6-8kg per capita). It is also well behind consumption of other forms of flesh based protein, particularly poultry (44kg), beef (21kg) and pork (22kg). In 2017/18 salmon formed only 1.8% of all flesh based protein consumed in Australia with significant upside potential for the highly desired protein.

Protein consumption per person in Australia 2017/2018



Sources:
- OECD-FAO Agricultural Outlook (Edition 2018)
- ABARES Annual Fisheries Outlook 2019
- IBIS World Seafood Consumption 2016

1. Parramatta Creek processing facility
2 Huon Premium Tasmanian Wood Roasted salmon
3 Huon Salmon Portions, easy prepared meal
4 Masaki Kayama making fresh salmon ngiri
5 Huon Premium Tasmanian Wood Roasted Ocean Trout
6 Huon Premium Tasmanian Cold Smoked Ocean Trout
7 MAP/chilled packaged Huon Salmon Portions, Skin Off

2


1


3

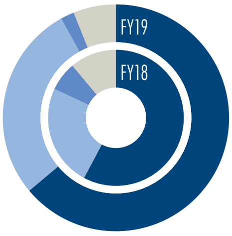

4


5


6


7


FY2019
Channel mix
(% of total revenue)



- Wholesale 64% (58%)
- Retail 28% (24%)
- International 2% (7%)
- Export 6% (11%)

Buying salmon

As with many foods produced in Australia there is a wholesale and retail market for salmon. Huon has historically been a major supplier of fresh salmon to the domestic wholesale market including to long held supply relationships with wholesalers at iconic Sydney Fish Market, companies that supply sushi products to retail outlets and distributors that supply salmon to restaurants, caterers and seafood markets around Australia. In FY2019 two-thirds of all Huon's salmon was sold through this channel and it is expected to remain a key market through which Australian consumers access Huon salmon in the next few years.

From farm to plate

A growing number of Australians buy their salmon for home cooking from supermarkets and small quick service retail outlets and the Huon brand is set to assume an increasing profile in the retail market in the coming years as the major supermarkets seek to capitalise on a growing shift towards seafood consumption due to health, protein, sustainability and convenience drivers.

In anticipation of this, Huon opened a new processing factory in Ingleburn, NSW in April 2019. This new, purpose built facility gives Huon significant fresh and frozen value added capacity close to major eastern seaboard markets. Importantly, it ensures Huon's market leading freshness position is maintained for all sales channels, including the important chilled packaged seafood category in retail. The facility also has future capacity for Huon's volume growth and is designed with multiple species processing in mind.

Huon's salmon and ocean trout products are all primary processed at its Parramatta Creek facility in Tasmania, which also houses a state-of-the-art smokehouse for smoked, cured and specialty gourmet production.

The fish are gutted and filleted for delivery into domestic or export markets or further portioned and processed for sale into the retail channel. The facility in Sydney takes delivery of primarily pre-rigor pin bone in fillets within 40 hours of harvest which are then boned, portioned and packaged for immediate delivery into distribution centres on the eastern seaboard.

Consumers can find a range of packaged, branded Huon salmon products in Australian supermarkets including cured, cold and hot smoked salmon and portioned fresh salmon in MAP (modified atmosphere packaging), a fast growing sector which provides an extended shelf life to fresh food products without requiring the addition of chemical preservatives or stabilisers. Around a quarter of Huon salmon volume was sold through retail channels in FY2019 including under Huon's Salmon to Go, Premium and Reserve labels.

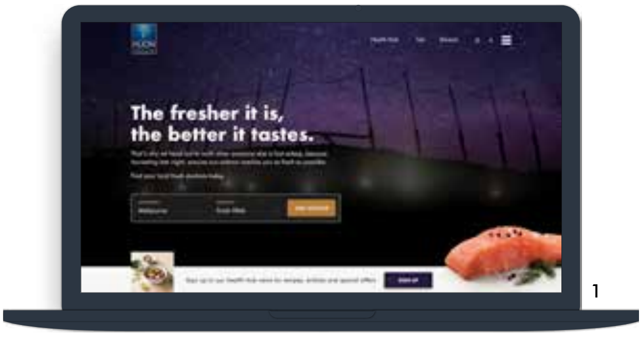
Marketing Huon

Huon continued to invest in its *Harvested By Night, Fresher By Day* campaign in key mainland markets throughout FY2019 with promising results. Research undertaken late in the financial year shows a positive increase in unaided Huon brand awareness as well as significant increases in freshness as a key brand attribute, a primary driver of purchase consideration when consumers are considering a seafood purchase.

Premium cues associated with the Huon Salmon brand continue to carry a strong pricing position at point of purchase, delivering positive year-on-year growth in the branded product space.

With growing production volumes coming on line in the coming years Huon will continue to drive domestic per capita consumption as it unpacks brand stories that help community, buyers and consumers alike better understand why *Not all salmon is Huon.*

1-3 Harvested By Night campaign: online, billboard, shopping centre light box
4 Recipe layouts promoting products launched in Coles supermarkets



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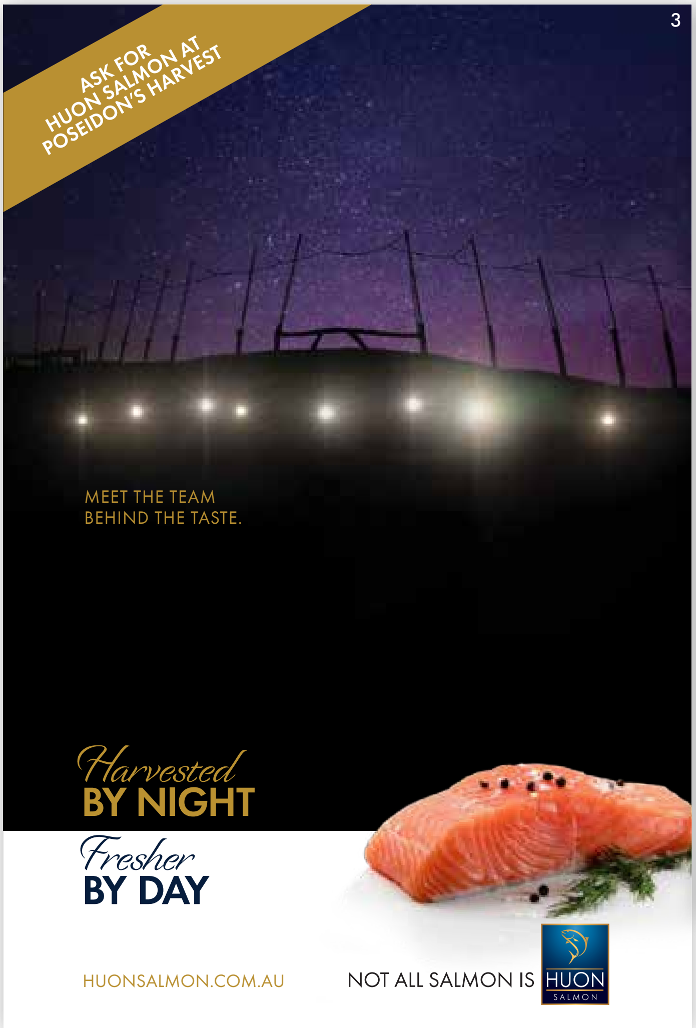

4

Risk Management

Agricultural Risk

Huon Aquaculture has been farming sustainably for 30 years and, as with any farming endeavour, Huon is subject to a range of events with outcomes that can impact the supply of fish (smolt), fish growth and mortality. The most effective strategy to minimise exposure to such risk is good animal husbandry which requires an ethos of care and innovation throughout the lifecycle of the fish. Preventing disease and the effective management of outbreaks if they do occur, is integral to Huon's farming methods. Critical to minimising the impact of disease is maintaining effective biosecurity. The most important salmon disease in the south-east region of Tasmania is amoebic gill disease (AGD). It is routinely controlled through regular freshwater bathing of affected salmon. Mortality is minimal, but the resources required for bathing are significant.

Environmental Risk

Many of the factors that give rise to agricultural risk are closely tied to the environment in which salmon are grown. Environmental risks are constantly present, including issues such as extreme weather events, high water temperature in summer that can be stressful to salmon, the availability of fresh water for AGD bathing, algae blooms and predators. The most common predators for salmon in Tasmania are seals and birds. Occasionally salmon are also at risk from contact with other organisms such as moon jellyfish. The location of leases and how Huon operates in each area are regulated by government and subject to a strict compliance reporting regime managed by the Tasmanian EPA.

Huon Approach to Mitigating Agricultural and Environmental Risks

- **Fortress Pens:**
  industry leading, patented pens and nets
  - prevent predation from seals and birds by restricting their access to the pens below and above the waterline
  - enable farming in high energy sites offshore as pens are designed to withstand wild weather, to a standard which exceeds a 1 in 50-year storm event
- **Net cleaning equipment:**
  designed to clean the double netting of fortress pens to prevent the build-up of biofouling
  - maintains high water flow through pens, maintaining maximum oxygen levels to fish
  - mitigates risk of tears in the netting leading to fish escapes or predator entry
- **Well-Boat:**
  designed to Huon specifications to enable bathing of fish in fresh water at sea
  - treats fish affected by AGD minimising fish losses
  - addresses the risk of increased AGD infection potentially associated with the risk of further rises in water temperatures
  - on-board cleaning and disinfecting allows multiple use of fresh water to conserve it and allows increased efficiency of bathing
- **Nursery:**
  designed to grow-out smolt on land to a larger size to reduce the time salmon spend at sea
  - reduces the exposure to a range of risks at sea including predation, extreme weather, AGD or algae
  - controlled environment at a critical time in the growth cycle
  - better management of existing leases, lowering the environmental and biosecurity risk
- **Industry breeding program:**
  participation in the industry selective breeding program
  - focused on increasing resistance to AGD while also selecting for traits to maximise growth of salmon in Tasmanian conditions
- **Multiple site brood stock supply:**
  brood stock facilities located at four sites in Tasmania at Lonnavale, Springfield, New Norfolk and Bagdad
  - segregation of holdings of broodstock to reduce biosecurity and production risk
  - access to industry selective breeding program brood stock
- **Prevention of diseases:**
  fish health is underpinned by Huon's Veterinary Health Plan (VHP) which is regularly reviewed and updated
  - support and resourcing for the Aquatic Animal Health and Vaccine Centre of Excellence (AAHVCE) in Launceston. This international standard facility, which has recently been significantly expanded underpins the industry's capability to innovate in the areas of vaccine development and diagnostics
  - Huon fish are currently routinely vaccinated for a range of bacterial and viral diseases. Ongoing research and development continues to improve on existing vaccines and establish additional vaccines to protect against more pathogens
  - AGD is controlled by regular bathing in fresh water
  - antibiotic use is extremely low and only used as a last resort under veterinary prescription to maintain animal welfare. No antibiotics have been used at sea sites since 2016
- **Biosecurity and Year Class separation:**
  good biosecurity is critical in preventing and managing disease. Huon operates within the guidelines of the existing TSGA Biosecurity Program established in 2014 and is integrally involved in the current joint industry/government review and implementation of improved biosecurity measures
  - the decision to shift the focus of its operations and future growth to new lease areas in Storm Bay was reinforced by the benefits it provides in tighter management of biosecurity across its operations. Huon now operates in three separate biosecurity zones – the Huon River and D'Entrecasteaux Channel; Storm Bay; Macquarie Harbour

- » fish introduced to sites with low risk of jellyfish, and can be moved between lease sites
  - » different Year Classes of fish are held on separate lease sites to avoid the transmission of disease organisms from the older Year Class to the younger Year Class. Huon's separation of Year Classes by lease and zone is illustrated on page 13

– **Stocking density:**
  Kilograms per m3 often used as a measure of animal welfare
  - » Huon operates with one of the lowest stocking densities in the world at 8kg/m3, approximately half the 15kg/m3 maximum recommended by the RSPCA
  - » Huon pens contain 99% water and 1% fish

– **Feed formulations:**
  farmed fish are fed pelleted diets specially formulated for their nutritional needs
  - » Huon's feed is formulated to maintain fish growth during the summer months when water temperatures are warmer, mitigating the impact of stress and the risk of lost growth
  - » Research trials undertaken on-farm in the company's trial pens and facilities such as the Experimental Aquaculture Facility (EAF) at IMAS

– **Fallowing:**
  good farming practices necessitate appropriate fallowing which is the complete destocking of lease sites between Year Classes or groups of fish. Fallowing allows the seabed to recuperate naturally from any potential impacts as well as providing a break in the cycle of any disease issues
  - » Huon follows a strategy of at least one month whole-lease fallowing each year for disease control and up to 18 months pen-bay fallowing every 2-3 years to return the benthos (sea floor) to baseline conditions
  - » Huon inspects the sea floor under all pens bays monthly using remotely operated vehicles (ROVs).

– **Centralised Control of Operations:**
  use of technology enables every aspect of operations in the marine environment to be constantly monitored
  - » advanced technology including automated feeders and underwater cameras are used to provide feed and monitor consumption. Pellet detection software reduces the risk of over or underfeeding and limits both food wastage and the impact on the seafloor
  - » damage to equipment and nets from storm events or predators (seals) can be quickly identified using ROV surveys, reducing risk of fish escapes or marine debris impacting the environment. Also eliminates the need for divers in high risk environments
  - » risks to fish health can be promptly addressed

– **Lift up System:**
  automated retrieval of fish mortalities
  - » early detection and removal reduces the risk of potential spread of disease and minimises attraction of predators
  - » less use of divers, reducing the OHS risk

Social Risk

The salmon industry is regulated by a number of Tasmanian government regulatory authorities. The Tasmanian EPA which has responsibility for the environmental regulation of both freshwater hatcheries and marine farms. The Minister for Primary Industries and Water has jurisdiction over industry planning and development. The industry however also has a responsibility to ensure that its activities are understood and supported by society and particularly the community in which it operates. This is necessary to facilitate the sustainable growth of salmon farming and to maintain the reputation of those who operate within it.

– **Stakeholder Engagement:**
  regular opportunities for engagement with the community and others connected to, or invested in, activities associated with the growth in Huon's operations
  - » community group discussions
  - » forums held in rural areas
  - » maintaining and strengthening relations with Government and regulatory bodies
  - » regular communication with shareholders and potential investors in Huon

– **Animal welfare:**
  demonstrating that farmed salmon are well nourished, and healthy, raised in low stress and sustainably managed environments is increasingly important to society, consumers and investors.
  - » low stocking densities
  - » regular freshwater bathing to control AGD
  - » vaccination against key bacteria and viruses and research into new vaccines
  - » netting designed to protect fish from predators
  - » RSPCA approved humane production and harvest methods

– **Antibiotics:**
  increased awareness by consumers of the risks to human health associated with the use of antibiotics in feed formulations in farming generally
  - » Huon only uses antibiotics as a last resort and under veterinary supervision, but has not used antibiotics at sea since 2016
  - » if antibiotics are used there is always an extended withdrawal period to ensures no antibiotics residues are contained in harvest fish

– **Fishmeal and fish oil in feed formulations:**
  reducing the dependence on marine fish resources by feed manufacturers and seafood farmers is increasingly viewed as an ethical issue by society
  - » Huon continues to undertake regular trials on ingredient substitution to balance fish health requirements with its ethical responsibilities

Economic Risks

The key economic risks in salmon farming relate to the ability to maintain both supply of its product and also consumer confidence in its quality and safety.

- **Supply of feed:**
  over 50% of the input costs to salmon production is feed. Without access to regular supply of the right type of feed, production would be compromised
  - » Huon mitigates this risk by maintaining multiple sources of feed supply
- **Product acceptance in the market:**
  sale of product is dependent on market perceptions of its quality and safety
  - » quality assurance systems and testing to ensure safe quality product
  - » marketing to raise the profile of the Huon Brand as a premium product and position it for growth
- **Diversification of channel mix:**
  reliance on one channel or a limited client base for the sale of product introduces risk
  - » Huon sells through the wholesale market, into the retail sector both domestic and offshore via contracted sales, and through the export channel

OHS Risks

Providing a work place that is safe and ensuring that staff return home un-injured each day is a fundamental duty of an employer. It is also essential for attracting and retaining staff as well as providing an environment which supports learning, team work and innovation.

- **Equipment and work processes:**
  fortress pens are designed to protect staff from interactions with seals and provide a safe working environment
  - » extensive use of automation and technology in net cleaning and repair; feeding; and removal of fish mortalities has reduced or eliminated the need for divers
  - » introduction of unmanned feed barges moored onsite and automated feeding reduces the number of vessel movements and time employees spend on water, particularly at high-energy sites
  - » continuous modification to on water equipment to reduce risk of injury
  - » introduction of automation and robot packers into the processing stage of salmon production to minimise manual handling
- **Training and professional development:**
  development of staff through training increases productivity, reduces the risk of injury and accidents and also increases the rate of staff retention
  - » at any one point in time, 25% of staff are undergoing professional development including VET sector training courses in role specific development training
  - » general literacy, numeracy and digital literacy support is offered to all employees
  - » Huon developed an Associate Degree with the University of Tasmania in aquaculture
  - » Clear and transparent career development options are provided through the Workforce Development strategy, designed to retain and attract talent
  - » Huon is designing a whole of business Innovation Program which will be launched in FY2020 to foster the development of innovation as a core skillset

Third party, independent certification of Huon systems and processes

Huon seeks independent certification of its processes as a means of validating that it is compliant with global best practice.

- **RSPCA**
  - » In 2018, Huon Aquaculture was the first seafood producer to join the RSPCA's Approved Farming Scheme after satisfying their rigorous animal welfare standards. RSPCA Approved branding offers consumers assurance that Huon's salmon has been farmed humanely.
- **ASC**
  - » ASC certification provides endorsement of environmental and social processes, including seafood production practices and protection of the rights of workers. It is provided on a lease by lease basis.
- **BRC**
  - » Huon is a BRC AA-rated seafood processor. The BRC Global Standards specify requirements to be met to enable the production, packaging, storage and distribution of safe food and consumer products. Originally developed in response to the needs of UK members of the British Retail Consortium, the Standards have gained usage world-wide and are specified by growing numbers of retailers and branded manufacturers in the EU, North America and further afield.
- **AQIS**
  - » AQIS (Australian Quarantine and Inspection Service) provides inspection and certification for a range of agricultural products exported from Australia, to ensure compliance with overseas countries importation requirements.
- **Global G.A.P**
  - » Huon was the first salmon producer in Australia to achieve the internationally recognised Global G.A.P certification.
  - » The Global G.A.P Integrated Farm Assurance Standard – Aquaculture Version 4 – is a pre-farm gate standard that covers the whole production process of the certified product from the hatchery until the point of harvest and packing.
  - » The standard not only audits Huon's operations but also those of companies that supply it, resulting in a rigorous and thorough understanding of the entire process of farming and growing salmon.


STORMY
LIFEJACKETS

Huon Board of Directors

Neil Kearney B.Ec

- Chairman
- Director since August 2014

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

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

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

Special Responsibilities

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

Peter Bender

- Managing Director and Chief Executive Director
- Director since May 2005

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

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

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

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

Frances Bender

- Non-independent Executive Director
- Director since May 2005

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

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

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

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

Simon Lester

CA, BCom, MAppFinInv

- Independent Non-executive Director
- Director since August 2014

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

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

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

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

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

Special Responsibilities

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

Tony Dynon

CPA

- Independent Non-executive Director
- Director since August 2016

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

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

More recently Tony has had leadership roles in privately owned stockfeed businesses based in Australia, New Zealand and the UK. Tony was also a non-executive director for Colorpak Ltd from 2004 to 2010. He is currently a Non-executive director of Murray River Organics Limited.

Tony is a member of CPA Australia.

Special Responsibilities

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

Directors' Report

The Directors of Huon present the annual financial report of the consolidated entity consisting of the Company and the entities it controlled (Consolidated Group) for the financial year ended 30 June 2019.

Directors

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

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

The qualification, experiences and special responsibilities of the Directors are provided on pages 30 to 31.

Directors' Interests

Particulars of Directors' interests as at 30 June 2019 were:

Shareholdings	Ordinary Shares	Performance Rights
Peter Bender(i)	57,776,019	302,026
Frances Bender(i)	57,776,019	–
Neil Kearney	6,316	–
Simon Lester	14,516	–
Tony Dynon	6,080	–

(i) Includes direct and indirect interests.

Company Secretary

Thomas Haselgrove B.Ec. CA

Thomas Haselgrove is the Chief Financial Officer and Company Secretary with 27 years' experience in audit, statutory accounting and commerce across a number of organisations in the food, beverage and FMCG sectors including Southcorp Wines, Chiquita Brands and Ernst & Young. Thomas was appointed Company Secretary in 2006.

Principal Activities

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

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

Dividends

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

	$'000
Final ordinary dividend for the year ended 30 June 2018 of 5.0 cents (2017 – 5.0 cents) per ordinary share paid on 11 October 2018	4,367
Interim ordinary dividend for the year ended 30 June 2019 of 3.0 cents (2018 – 5.0 cents) per ordinary share paid on 11 April 2019	2,620

On 29 August 2019, the Directors recommended the payment of a final ordinary dividend of $2.6 million (3.0 cents per ordinary share) to be paid on 17 October 2019 out of retained earnings at 30 June 2019. The dividend will be 50% franked.

Review of Operations

Information on the operations and financial position of the Consolidated Group, and the Business Strategy and outlook are set out in the Chairman's Message on pages 2 to 3 and the Managing Director's Review on pages 4 to 8 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 29 August 2019, 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 2019 financial statements.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Future Developments

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

Directors' and Directors' Meetings

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

	Board of Directors meetings		Audit and Risk Management Committee meetings		Remuneration and Nominations Committee meetings	
Director	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
Neil Kearney	8	8	4	4	3	3
Peter Bender	8	8	*	*	*	*
Frances Bender	8	8	*	*	*	*
Simon Lester	8	8	4	4	3	3
Tony Dynon	8	8	4	4	3	3

* Not a member of the Committee

Share Options and Performance Rights

During or since the end of the financial year, 209,467 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.

During the year the Company was issued with a complaint summons alleging a number of breaches of the requirements relating to the operation of an Environmental Protection Notice at the Port Huon net processing site during 2018. During the year the Company was issued with a complaint summons alleging a diesel spill at one of the Company's marine lease sites during 2017.

The Company is investigating these alleged breaches and the matters are not expected to impact the financial performance of the Company.

The Directors are not aware of any other significant environmental incidents arising from the operations of the Consolidated Group during the financial year and believe that all regulations have otherwise been materially met during the period covered by the Annual Report.

Remuneration Report

Introduction

This Remuneration Report for the financial year ended 30 June 2019 outlines the Company's remuneration structure in accordance with the requirements of the *Corporations Act 2001* (Cth) (the Act), and the Corporations Regulations 2001 (Cth). This report provides remuneration information in relation to the Company's Key Management Personnel (KMP) including for the Non-executive Directors (NEDs), Executive Directors (EDs), and Executive Management Group (EMG). KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. This Remuneration Report has been audited as required by section 308(3C) of the Act.

Key Management Personnel (KMP)

The table below outlines the KMP for the financial year ended 30 June 2019 unless otherwise indicated.

Executive Directors

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

Non-executive Directors

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

Executive Management Group

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

Remuneration Governance

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

Remuneration and Nomination Committee (RNC)

The Remuneration and Nomination Committee (RNC) comprises of three independent NEDs (including the Chairman). As at 30 June 2019 the RNC comprised Simon Lester (Chairman), Neil Kearney and Tony Dynon.

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

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

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

Use Remuneration Consultants

From time to time the Board directly engage external advisers to provide input into the Company's remuneration policies and into the process of reviewing KMP remuneration arrangements. In June 2019, the RNC engaged Godfrey Remuneration Group to review its existing remuneration policies and to provide recommendations on executive STI and LTI plan designs. The RNC is expecting to present findings from the review in September 2019.

Securities Trading Policy

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

KMP Remuneration Arrangements – Executive Directors and Executive Management Group

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

Remuneration Principles and Strategy

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

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

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

Components of Remuneration

In the financial year ended 30 June 2019, 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% – EMG Target = 30%	To provide short term incentive for KMP to remain in the Company and to recognise and reward contribution to short-term Company outcomes
LTI Performance Rights	– Operating earnings (earnings excluding adjustments for biological assets) per share growth (50%) – Return on assets (50%)	– MD/CEO Target = 100% – DCEO Target = 40% – EMG Target = 30%	The LTI plan provides a reward to KMP for their contribution to the achievement of forecasted objectives and long term shareholder value. The LTI plan also rewards KMP for their continued service with the Company and seeks to retain KMP in the long-term

Remuneration Overview

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

The following summarises the target remuneration mix of KMP for the financial year ended 30 June 2018 and 2019:

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

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

Fixed Remuneration

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

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

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

Details of 2018 and 2019 fixed remuneration levels are provided below:

	Fixed remuneration	
KMP	2019 $	2018 $
Peter Bender	667,873	551,923
Frances Bender	215,302	191,594
Philip Wiese	547,173	428,802
Thomas Haselgrove	310,894	317,814
David Morehead	331,113	302,567
Charles Hughes	288,857	283,024
David Mitchell	295,816	267,747

Variable Remuneration – STI Plan

KMP except for the CEO, Executive Director and Non-Executive Directors 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, Executive Director and Non-Executive Directors).
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, Executive Director and Non-Executive Directors) to earn an annual incentive payment calculated as a percentage of their annual fixed remuneration conditional on the achievement of financial and non-financial measures. Target STI maximum opportunity of 40% of fixed remuneration for the DCEO and maximum opportunity of 30% of fixed remuneration for the EMG.
What are the performance conditions for FY2019?	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, Executive Director and Non-Executive Directors do not participate in the STI Plan. The target consists of key performance indicators (KPIs) including financial objectives. For FY2019 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 target calculations based on audited accounts) 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 2018 and 2019.

KMP	STI value as % of TFR 2019	STI value as % of TFR 2018
Philip Wiese	40%	40%
Thomas Haselgrove	30%	30%
David Morehead	30%	30%
Charles Hughes	30%	30%
David Mitchell	30%	30%

Variable Remuneration – LTI Plan

Huon's LTI plan applies to KMP (except for the Executive Director and Non-Executive Directors) 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 and Non-Executive Directors).
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 FY2019 LTI performance rights grant?	Performance rights issued under the FY2019 LTI Plan are subject to two separate performance measures: – 50% of the performance rights will be subject to a vesting condition based on earnings per share compound annual growth rate (EPS CAGR) over the performance period; and – 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 FY2019 LTI plan performance rights vest?	The performance period for the 2019 LTI plan is the period from 1 July 2018 to 30 June 2021. The performance rights granted will vest subject to the performance hurdles associated with the grant and to the extent that certain performance based conditions are achieved in the relevant performance period. 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 2021.
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 2018 and 2019:

KMP	LTI value as % of 2019	LTI value as % of TFR 2018
Peter Bender	100%	100%
Philip Wiese	40%	40%
Thomas Haselgrove	30%	30%
David Morehead	30%	30%
Charles Hughes	30%	30%
David Mitchell	30%	30%

2019 LTI Plan Hurdles explained

Performance rights issued under the 2019 LTI Plan are subject to two separate performance measures: 50 percent of the performance rights will be subject to an EPS CAGR vesting condition; and 50 percent will be subject to a ROA vesting condition. These performance hurdles were chosen by the Board as they believe both EPS CAGR and ROA are transparent, well understood and appropriate mechanisms to measure performance and provide a strong link between KMP reward and shareholder wealth creation. Both hurdles are explained in more detail below:

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

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

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

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

KMP Remuneration Outcomes (Including Link to Performance)

Huon's Financial and Operational Performance

Performance measure	Unit	2019	2018	2017	2016
Operating earnings before interest, tax, depreciation and amortisation (EBITDA)	$m	47.3	71.8	62.8	26.4
Cash flow from operations (CF)	$m	14.5	57.9	54.0	16.3
Lost Time Injury Frequency Rate (LTIFR)[(i)]	hours/million	4	4	3	7
Earnings per share (EPS) (Operating)[(ii)]	Cents	18.13	40.53	32.90	5.13
Return on Assets (ROA) (Operating)[(iii)]	%	4.1%	10.4%	10.2%	2.4%
Dividend	$m	5.2	8.7	4.4	–
Dividend payout ratio (Operating)	%	33.1%	24.7%	15.2%	–
Share price (30 June)	$	4.50	4.46	4.93	3.50

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

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

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

Consolidated Group performance and its link to STI

Performance against STI plan targets

The following table shows the Company's 2019 STI performance scorecard measures, weightings and outcomes as applied to the KMP.

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

STI Outcomes for KMP for 2019

The following table provides a summary of STI outcomes and payments for the 2019 performance year.

KMP	STI target $	Target STI as % of TFR	Total STI Foregone $	Total STI forfeited $	Total STI achieved as % of STI target
Philip Wiese	177,096	40%	0	177,096	0%
Thomas Haselgrove	82,921	30%	0	82,921	0%
David Morehead	82,926	30%	0	82,926	0%
Charles Hughes	76,152	30%	0	76,152	0%
David Mitchell	76,152	30%	0	76,152	0%

Consolidated Group performance and its link to LTI

Performance Against LTI Plan Targets

The following table shows the performance periods and outcomes for the 2016 LTI Plan which covers the performance period 1 July 2016 to 30 June 2019 and is assessed in FY2019. The total vesting outcome for the three year period is 72.1% of performance rights issued. Any performance rights under the 2016 LTI Plan that do not vest as result of the vesting outcomes will lapse.

The 2017 and 2018 LTI Plans will be assessed against their performance periods and outcomes at the completion of FY2020 and FY2021 respectively:

LTI Plan	Performance Period/Outcome	Measure	FY2017	FY2018	FY2019	Vesting %
2016	Measure	EPS (cents) EPS (CAGR) ROA (%)	32.90c 13.3% 10.2%	40.53c 181.1% 10.4%	18.13c 52.3% 4.1%	
	Outcome 1 July 2016 – 30 June 2018	EPS ROA	N/A 52%	100% 54%	– –	100% 53%
	Outcome 1 July 2016 – 30 June 2019	EPS ROA	N/A 52%	N/A 54%	100% 0%	100% 35%

LTI transactions for KMP for 2019

The following table details the Performance Rights made to KMP during FY2019.

KMP – Performance rights granted	Grant date	Units granted	Fair value[(i)] $	Total fair value of grant 2019 $
Peter Bender	31 Oct 2018	108,595	4.26	462,918
Philip Wiese	31 Oct 2018	32,819	4.26	139,901
Thomas Haselgrove	31 Oct 2018	17,737	4.26	75,609
David Morehead	31 Oct 2018	17,738	4.26	75,613
Charles Hughes	31 Oct 2018	16,289	4.26	69,437
David Mitchell	31 Oct 2018	16,289	4.26	69,437

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

KMP – Performance rights held

The following table details the Performance Rights held and the movement during FY2019.

Name Grant Date	Held at Start of Year	Other	Granted During Year	Forfeited	Vested	Unvested at End of Year
Peter Bender						
– 25 November 2015	62,496	–	–	–	(62,496)	–
– 30 November 2016	118,591	–	–	(21,735)	–	96,856
– 30 November 2017	96,575	–	–	–	–	96,575
– 31 October 2018	–	–	108,595	–	–	108,595
Philip Wiese						
– 25 November 2015	18,917	–	–	–	(18,917)	–
– 30 November 2016	35,841	–	–	(6,568)	–	29,273
– 30 November 2017	29,186	–	–	–	–	29,186
– 31 October 2018	–	–	32,819	–	–	32,819
Thomas Haselgrove						
– 25 November 2015	10,222	–	–	–	(10,222)	–
– 30 November 2016	19,370	–	–	(3,550)	–	15,820
– 30 November 2017	15,773	–	–	–	–	15,773
– 31 October 2018	–	–	17,737	–	–	17,737
David Morehead						
– 25 November 2015	10,222	–	–	–	(10,222)	–
– 30 November 2016	19,371	–	–	(3,550)	–	15,821
– 30 November 2017	15,774	–	–	–	–	15,774
– 31 October 2018	–	–	17,738	–	–	17,738
Charles Hughes						
– 25 November 2015	9,388	–	–	–	(9,388)	–
– 30 November 2016	17,788	–	–	(3,260)	–	14,528
– 30 November 2017	14,486	–	–	–	–	14,486
– 31 October 2018	–	–	16,289	–	–	16,289
David Mitchell						
– 25 November 2015	9,388	–	–	–	(9,388)	–
– 30 November 2016	17,788	–	–	(3,260)	–	14,528
– 30 November 2017	14,486	–	–	–	–	14,486
– 31 October 2018	–	–	16,289	–	–	16,289

KMP Contracts

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

Contractual arrangements

The following table shows the key contractual arrangements for KMP:

KMP Member	Contract Type	Fixed Remuneration[i] $	Access to STI	Access to LTI
Peter Bender	Ongoing contract	507,695	No	Yes
Frances Bender	Ongoing contract	164,966	No	No
Philip Wiese	Ongoing contract	442,740	Yes	Yes
Thomas Haselgrove	Ongoing contract	276,404	Yes	Yes
David Morehead	Ongoing contract	276,421	Yes	Yes
Charles Hughes	Ongoing contract	253,839	Yes	Yes
David Mitchell	Ongoing contract	253,839	Yes	Yes

(i) Superannuation is paid in addition to fixed remuneration

Managing Director (MD) and CEO

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

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

Executive Director (ED)

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

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

Executive Management Group

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

	Notice Period and/or Notice in Lieu	Restraint Period	Treatment of STI	Treatment of LTI
Resignation	3 months	3 months	Unvested awards forfeited	Unvested awards forfeited
Termination for cause	None	3 months	Unvested awards forfeited	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 2019

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

	Fixed Remuneration					Variable Remuneration			
Year	Salary and Fees $	Non-Monetary $	Other $	Long Service and Annual Leave $	Super-annuation $	Cash Bonus $	Performance Rights[i] $	Total $	Performance related %
Executive Directors									
Peter Bender									
2019	532,042	15,218	–	97,301	23,312	–	253,470	921,343	28%
2018	514,986	14,647	–	(2,815)	25,105	–	411,388	963,311	43%
Frances Bender									
2019	164,797	–	–	24,755	25,750	–	–	215,302	0%
2018	160,371	–	–	7,647	23,576	–	–	191,594	0%
Key Management Personnel									
Philip Wiese									
2019	476,303	16,194	–	30,481	24,195	–	76,600	623,773	12%
2018	398,681	–	–	4,316	25,805	–	124,039	552,841	22%
Thomas Haselgrove									
2019	224,745	51,374	–	9,747	25,028	–	41,398	352,292	12%
2018	215,213	53,492	–	23,582	25,527	–	67,031	384,845	17%
David Morehead (from July 2017)									
2019	276,137	–	–	28,743	26,233	–	41,400	372,513	11%
2018	268,722	–	–	8,316	25,529	–	67,035	369,602	18%
Charles Hughes (from July 2017)									
2019	253,578	–	–	11,189	24,090	–	38,019	326,876	12%
2018	246,769	–	–	12,812	23,443	–	61,559	344,583	18%
David Mitchell (from July 2017)									
2019	253,578	–	–	18,148	24,090	–	38,019	333,835	11%
2018	246,769	–	–	(2,465)	23,443	–	61,559	329,306	19%
Total									
2019	2,181,180	82,786	–	220,364	172,698	–	488,906	3,145,934	16%
2018	2,051,511	68,139	–	51,393	172,428	–	792,611	3,136,082	25%

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

Non-executive Director (NED) Remuneration

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

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

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

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

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

Non-executive Directors

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

The table below shows the actual NED remuneration for FY2018 and FY2019.

	Base $	ARC $	RNC $	Super-annuation $	Total $
Neil Kearney (Chairman)					
2019	146,119	–	–	13,881	160,000
2018	146,119	–	–	13,881	160,000
Simon Lester					
2019	61,324	10,000	20,000	8,676	100,000
2018	61,324	10,000	20,000	8,676	100,000
Tony Dynon					
2019	61,324	20,000	10,000	8,676	100,000
2018	61,324	20,000	10,000	8,676	100,000
Total Non-executive Director remuneration					
2019	268,767	30,000	30,000	31,233	360,000
2018	268,767	30,000	30,000	31,233	360,000

Director and KMP Shareholdings

The table below refers to shareholdings of Directors, KMP and their related parties.

	Balance at start of FY2019	Acquired during FY2019	Received on vesting of rights to deferred shares	Other changes during FY2019	Balance at end of FY2019
Neil Kearney(i)	6,316	–	–	–	6,316
Simon Lester(i)	14,516	–	–	–	14,516
Tony Dynon(i)	6,080	–	–	–	6,080
Peter Bender	13,098,477	–	62,496	–	13,160,973
Frances Bender	5,794	–	–	–	5,794
Peter and Frances Bender(i)	44,587,252	22,000	–	–	44,609,252
Philip Wiese(i)	6,240	8,000	18,917	–	33,157
Thomas Haselgrove	15,000	–	10,222	–	25,222
David Morehead	12,587	–	10,222	–	22,809
Charles Hughes(i)	6,585	–	9,388	–	15,973
David Mitchell	6,830	–	9,388	–	16,218

(i) Includes indirect holdings

Transactions with KMP and their Related Parties

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	359,357
PAB Contracting Pty Ltd (PAB)*	Peter, Frances Bender	Lease of equipment to Huon	96,000

* Based on commercial terms.

Indemnification of Directors, Officers and Auditors

The Company indemnifies current and former Directors and officers for any loss arising from any claim by reason of any wrongful act committed by them in their capacity as a director or officer (subject to certain exclusions as required by law). During the 2019 financial year, Huon paid a total of $76,568 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 50 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 2019 $	Consolidated 2018 $
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	200,000	200,000
Other assurance services	6,000	7,800
Total remuneration for audit services	206,000	207,800
Taxation & other advisory services		
Taxation & other advisory services	114,922	40,800
Other advisory services	–	–
Total remuneration for taxation & other advisory services	114,922	40,800
Total remuneration of PricewaterhouseCoopers Australia	320,922	248,600

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

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

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

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

Proceedings on Behalf of the Company

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

Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, or in certain cases, to the nearest dollar.

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

Neil Kearney
Chairman
29 August 2019

Peter Bender
Managing Director and CEO
29 August 2019

Auditor's Independence Declaration

As lead auditor for the audit of Huon Aquaculture Group Limited for the year ended 30 June 2019, 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.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
29 August 2019

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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 29 August 2019.

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

Principle 1: Lay solid foundations for management and oversight

Role of Board and Management

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

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

Strategy

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

Risk management and reporting

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

Relationship with management

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

Monitoring of performance

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

Corporate governance

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

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

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

Board appointments

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

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

Written agreements with Directors and Executive Management

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

Company Secretary

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

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

Diversity policy

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

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

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

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

Diversity objectives

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

Progress for this reporting period is as follows:

- Overall increase in female representation company wide
- Continued review of remuneration across the business to ensure equity
- A continued increase in female representation in Senior Management positions
- Supporting the "Women on Water" Scholarship to encourage and support a higher representation of female employees in marine related roles.
- An increase in female representation within the position categories of Technicians and Trades, and Sales of over 17%
- Promotions of female employees into Management and non-Management positions has increased by 6%

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% (2018: 20%) female proportion on the Board
- 0% (2018: 0%) female proportion in Executive Management Group
- 21% (2018: 15%) female proportion in Senior Management
- 14% (2018: 13%) female proportion Management
- 20% (2018: 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 FY2019. The Board also reviews the composition and skills mix of the Directors on an ongoing basis to ensure that the Board has the necessary and desirable competencies to govern effectively.

Executive Management performance evaluation

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

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

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

Principle 2:
Structure the Board to add value

Remuneration and Nominations Committee

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

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

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

Board composition, skills and experience

The Constitution of the Company provides that the number of Directors must at any time be no more than ten and no less than three. The Huon Board is currently comprised of five Directors. A profile of each Director can be found in the on pages 30 to 31 of this Annual Report.

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

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

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

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

Board and Director independence

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

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

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

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

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

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

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

Director induction and ongoing professional development

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

Principle 3:
Act ethically and responsibly

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

Code of Conduct

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

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

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

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

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

Principle 4: Safeguard integrity in corporate reporting

Audit and Risk Management Committee

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

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

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

Integrity of Financial Reporting – CEO and CFO Certification

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

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

Role of the External Auditor at the AGM

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

Principle 5: Make timely and balanced disclosure

Continuous Disclosure

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

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

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

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

Principle 6: Respect the rights of security holders

Information about Huon and its Governance for Investors

Huon places considerable importance on effective engagement and communications with shareholders.

It recognises the value of providing current and relevant information to its shareholders. The Board has adopted a Communications Policy which is designed to ensure that the Company:

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

This information is made available through:

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

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

Investor Relations Program

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

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

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

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

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

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

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

Principle 7: Recognise and manage risk

Committee to oversee Risk

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

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

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

Review Huon's Risk Management Framework

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

Internal Audit Function

The Company does not have an internal audit function due to the nature and size of the Company and the extent of its Risk Management Framework. The Company currently relies on oversight by management, the Audit and Risk Management Committee and the Board to ensure compliance with Huon's Risk Management Policy. The Audit and Risk Management Committee has decided not to introduce an internal audit function, but has engaged the services of a third party to further support the internal audit function during FY2019.

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

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

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

Risk Type	Identified Risk
Agricultural	Supply, growth and mortality of fish
	Ability for fresh water bathing
	Fish feed formulation
	Biosecurity and farming practices
	Disease and disease management
	Broodstock and smolt supply
Environmental	Resource availability and disease
	Predator threats
	AGD, algae and jellyfish
	Extreme weather events
	High water temperature and environmental influences
	Fresh water supply
Social	Stakeholder engagement
	Regulation
	Animal welfare
	Antibiotics use
	Fishmeal and fish oil in feed formulations
Economic	Fish feed prices, supply and quality
	Market and credit risk
	Brand and reputation
	Fuel and energy prices
	Key facility reliance
	Legal and contractual
	IT reliability and reliance
OHS	Equipment and work practices
	Staff health, wellbeing and training

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 pages 26 to 28 in this Annual Report.

Principle 8: Remunerate fairly and responsibly

Remuneration and Nominations Committee

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

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

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

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

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

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

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

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

The remuneration of Non-executive Directors is determined by the Board as a whole reflecting the value of the individual's time commitment and responsibilities. Remuneration packages may contain any or all of annual fees, equity based remuneration and other benefits such as superannuation payments. The total remuneration of Non-executive Directors must not exceed the maximum annual amount approved by Company's shareholders (currently $800,000). Detailed information on the Company's remuneration policy and key principles and also the remuneration received by Directors and Key Management Personnel in FY2019 is set out in the Remuneration Report on pages 35 to 47 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 2019

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Consolidated income statement

For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Revenue from operations	1	281,955	317,896
Other income	2	9,258	10,747
Expenses			
Fair value adjustment of biological assets	4	(9,118)	(12,867)
Changes in inventories of finished goods and work in progress		49,299	(5,765)
Raw materials and consumables used		(184,410)	(154,309)
Employee benefits expense	3	(69,363)	(58,304)
Depreciation and amortisation expense	3	(30,321)	(24,455)
Finance costs	3	(8,174)	(3,659)
Freight & distribution expenses		(13,454)	(18,442)
Other expenses		(21,374)	(20,296)
Total expenses		**(286,915)**	**(298,097)**
Profit before income tax expense		**4,298**	30,546
Income tax benefit/(expense)	24	5,154	(4,159)
Net profit for the period attributable to members of the Company		**9,452**	**26,387**

	Note	Cents per share 2019	Cents per share 2018
Earnings per ordinary share			
Basic (cents per share)	5	10.82	30.21
Diluted (cents per share)	5	10.82	30.21

The number of shares used to determine earnings per ordinary share (EPS) is disclosed in note 5 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 2019

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit for the period	9,452	26,387
Other comprehensive income	–	–
Total comprehensive income for the period (net of tax)	**9,452**	**26,387**
Total comprehensive income attributable to:		
Owners of Huon Aquaculture Group Limited	9,452	26,387
	9,452	**26,387**

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

Consolidated balance sheet

As at 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Assets			
Current assets			
Cash and cash equivalents	10	2,611	2,787
Trade and other receivables	11	30,468	32,923
Inventories	12	12,810	12,397
Biological assets	4	209,129	169,361
Other financial assets	19	56	571
Current tax receivable	24	1,578	–
Other assets	13	9,168	4,970
Total current assets		**265,820**	**223,009**
Non-current assets			
Financial assets	18	1,342	1,342
Property, plant and equipment	7	320,386	286,323
Other assets	8	8,853	9,295
Intangible assets	29,30	3,325	2,995
Total non-current assets		**333,906**	**299,955**
Total assets		**599,726**	**522,964**
Liabilities			
Current liabilities			
Trade and other payables	14	72,430	52,311
Borrowings	15	9,652	39,160
Other financial liabilities	32	2,222	–
Current tax liabilities	24	–	6,432
Provisions	33	7,581	6,572
Other current liabilities	34	464	464
Total current liabilities		**92,349**	**104,939**
Non-current liabilities			
Borrowings	15	131,742	44,961
Deferred tax liabilities	24	58,190	57,577
Provisions	33	1,365	1,358
Other non-current liabilities	34	1,960	2,424
Total non-current liabilities		**193,257**	**106,320**
Total liabilities		**285,606**	**211,259**
Net assets		**314,120**	**311,705**
Equity			
Contributed equity	16	164,302	164,302
Other reserves	17	1,324	1,374
Retained earnings		148,494	146,029
Total equity		**314,120**	**311,705**

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 2019

	Note	Contributed Equity $'000	Retained Earnings $'000	Share-based Payment Reserve $'000	Total Equity $'000
Balance at 1 July 2017		**164,302**	**128,376**	**544**	**293,222**
Profit for the period		–	26,387	–	26,387
Total comprehensive income for the year, net of tax		–	26,387	–	26,387
Contributions of equity, net of transactions costs		–	–	–	–
Share-based payment expense	3(b)	–	–	830	830
Dividends paid or provided for	6	–	(8,734)	–	(8,734)
Balance at 30 June 2018		**164,302**	**146,029**	**1,374**	**311,705**

	Note	Contributed Equity $'000	Retained Earnings $'000	Share-based Payment Reserve $'000	Total Equity $'000
Balance at 1 July 2018		**164,302**	**146,029**	**1,374**	**311,705**
Profit for the period		–	9,452	–	9,452
Total comprehensive income for the year, net of tax		–	9,452	–	9,452
Contributions of equity, net of transactions costs		–	–	–	–
Issue of shares pursuant to executive long-term incentive plan	17	–	–	(601)	(601)
Share-based payment expense	3(b)	–	–	551	551
Dividends paid or provided for	6	–	(6,987)	–	(6,987)
Balance at 30 June 2019		**164,302**	**148,494**	**1,324**	**314,120**

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 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash flows from operating activities			
Receipts from customers		295,934	323,506
Payments to suppliers and employees		(271,034)	(266,479)
		24,900	57,027
Interest received		7	356
Interest and other costs of finance paid		(8,174)	(3,659)
Income tax (paid)/refunded		(2,243)	4,200
Net cash inflow/(outflow) from operating activities	10	**14,490**	**57,924**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		190	152
Payments for property, plant and equipment		(64,211)	(87,679)
Payment for business		–	–
Payments for other assets		(330)	(1)
Net cash inflow/(outflow) from investing activities		**(64,351)**	**(87,528)**
Cash flows from financing activities			
Proceeds from issues of shares		–	–
Proceeds from borrowings		66,330	29,053
Repayment of borrowings		(9,057)	(10,932)
Dividends paid to company's shareholders		(6,987)	(8,734)
Payment of shares for employee share plan		(601)	
Net cash inflow/(outflow) from financing activities		**49,685**	**9,387**
Net increase/(decrease) in cash held		(176)	(20,217)
Cash and cash equivalents at beginning of financial year		2,787	23,004
Cash and cash equivalents at end of financial year	10	**2,611**	**2,787**

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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 29 August 2019 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 2019 and the results of all subsidiaries for the year then ended. Huon Aquaculture Group Limited and its subsidiaries together are referred to in this financial report as the Consolidated Group.

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

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

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

Application of new and revised Accounting Standards

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

In the current year, the Consolidated Group has applied a number of amendments to AASB's and new Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2018, and therefore relevant for the current year end.

AASB 9

'Financial Instruments'

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model.

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

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

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

The Consolidated Group has adopted the standard from 1 July 2018.

AASB 15

'Revenue from Contracts from Customers'

AASB 15 replaces AASB 118 which covered contracts for goods and services and AASB 111 which covered construction contracts.

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

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

Management has assessed the impact of the new standard, and determined that the adoption of the standard has not had a material impact on the Consolidated Group. The standard has been adopted from 1 July 2018.

AASB 2016-5

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

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

AASB 2016-6

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

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

– Choose to apply the 'overlay approach' that involves applying AASB 9 *Financial Instruments* and also applying AASB 139 *Financial Instruments: Recognition and Measurement* to eligible financial assets to calculate a single line item adjustment to profit or loss so that the overall impact on profit or loss is the same as if AASB 9 had been applied; or
– Choose to be temporarily exempt from AASB 9 when those issuers' activities are predominantly connected with insurance, provided they make additional disclosures to enable users to make comparisons with issuers applying AASB 9.

AASB Interpretation 22

'Foreign Currency Transactions and Advance Consideration'

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

Standards and Interpretations in issue not yet adopted:

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

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

AASB 16 Leases

AASB 16 was issued in February 2016 and is effective for the Consolidated Group for the year ended 30 June 2020. It will result in almost all leases being recognised on the balance sheet by lessees, 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 group has set up a project team which has reviewed all of the Consolidated Group's leasing arrangements in light of the new lease accounting rules in AASB 16. The standard will affect primarily the accounting for the Consolidated Group's operating leases.

The Consolidated Group will apply the standard from its mandatory adoption date of 1 July 2019. The Consolidated Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The group has assessed its accounting policies that may interact with AASB 16 however certain judgemental aspects remain open, including application of the Incremental Borrowing Rate. As a result, an indicative range of the financial impact from adoption of the new accounting standard is presented below.

As at the reporting date, the group has non-cancellable operating lease commitments of $232,565,000, see note 9. Of these commitments, approximately $130,265,000 relate to lease commitments where conditions for recognising the right-of-use asset and associated financial liability are not met at 1 July 2019. This is principally driven by the operating lease commitment entered into for the well-boat 'Ronja Storm' which is expected to be delivered during the 2020 financial year. The amount also includes short-term leases and low value leases which can be recognised on a straight-line basis as expense in the income statement.

For the remaining lease commitments, the Consolidated Group expects to recognise right-of-use assets of between $96,203,000 and $99,801,000 on 1 July 2019, lease liabilities of between $98,313,000 and $99,801,000 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and deferred tax assets of up to $633,000. Overall net assets will be up to $1,477,000 lower.

Operating cash flows will increase and financing cash flows decrease by approximately $15,772,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Consolidated Group expects that lease payments will decrease by approximately $15,772,000 and amortisation of right-of-use assets and interest from the associated lease liability will increase by between $16,750,000 and $17,500,000 for the 2020 financial year. A significant portion of these items relate to the growing and harvesting of biological assets and will be recognised in the income statement in future periods as the biological assets are harvested and sold. Therefore, the amount that will be recognised in the income statement in the 2020 financial year cannot be quantified.

The Consolidated Group's activities as a lessor are not material and hence the Consolidated Group does not expect and significant impact on the financial statements. However, some additional disclosures will be required from next year.

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

Performance

1. Revenue

	Sale of Goods Domestic $'000	Sale of Goods Export $'000	Total $'000
2019			
Segment Revenue	258,073	23,882	281,955
Revenue from external customers	258,073	23,882	281,955
Timing of revenue recognition			
At a point in time	258,073	23,882	281,955
	258,073	23,882	281,955
2018			
Segment Revenue	258,842	59,054	317,896
Revenue from external customers	258,842	59,054	317,896
Timing of revenue recognition			
At a point in time	258,842	59,054	317,896
	258,842	59,054	317,896

Revenue recognition and measurement

Sale of goods

The Consolidated Group hatches, farms, processes, markets and sells Atlantic salmon and ocean trout. Sales are recognised when control of the products has been transferred, being when the products are delivered to the customer.

Delivery occurs when the products have been delivered to their final destination, the risk of loss and obsolescence has been transferred and acknowledged by the customer.

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.

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

2. Other income

	Consolidated 2019 $'000	Consolidated 2018 $'000
Interest income	7	356
Supplier rebates and freight income	4,943	5,534
Government grants	1,370	724
Other	2,938	4,133
	9,258	**10,747**

Revenue recognition and measurement

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.

2. Other income (continued)

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.

3. Profit for the year before tax

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

	Consolidated 2019 $'000	Consolidated 2018 $'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	426	614
– insurance and supplier claims	1,623	3,175
Expense:		
– accrued employee incentives	–	(804)
– legal fees	1,249	1,177
– derivative contracts	(7)	(571)
(b) Expenses		
Gross Depreciation of non-current assets	29,879	24,014
Gross Amortisation of non-current assets	441	441
Total Gross depreciation and amortisation	**30,320**	**24,455**
Depreciation – net impact recognised in changes in inventories of finished goods and work in progress	(4,558)	209
Net depreciation and amortisation	**25,762**	**24,664**
Interest & fees	6,001	3,659
Interest rate swap	2,173	–
Total finance costs	**8,174**	**3,659**
Employee benefits expense	68,812	57,474
Share-based payment expense	551	830
Total employee benefits costs	**69,363**	**58,304**
Net (gain)/loss on disposal of property, plant and equipment	**79**	**319**

4. Biological assets

	Consolidated 2019 $'000	Consolidated 2018 $'000
Biological assets at fair value[i]		
Opening balance	169,361	188,015
Increase due to production	273,557	224,968
Decrease due to sales/harvest/mortality	(224,671)	(230,755)
Movement in fair value of biological assets	(9,118)	(12,867)
	209,129	**169,361**
Closing fair value adjustment on biological assets	26,558	35,676
Total weight of live finfish at sea (kg 000's)	16,886	12,960

(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 2019			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Biological Assets	–	–	209,129	209,129
Total financial assets recognised at fair value	–	–	209,129	209,129

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

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 2019	30 June 2018
Biological assets at fair value ($'000)	209,129	169,631
Unobservable Inputs	Adjusted weight of live finfish for fair value measurement: 14,395 tonne Price per HOG kg $14.53 to $15.03	Adjusted weight of live finfish for fair value measurement: 10,714 tonne Price per HOG kg $14.86 to $15.36
Relationship of Unobservable Inputs to Fair value	Increase in price would increase fair value	Increase in price would increase fair value

4. 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 2019, 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 $1,244,457 higher/lower (2018: $929,761)
- A weight increase/decrease of 5% would have been a change of $1,327,840 higher/lower (2018: $1,783,821)

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.

5. Earnings per share (EPS)

	Consolidated 2019 cents per share	Consolidated 2018 cents per share
Earnings per ordinary share		
Basic (cents per share)[i]	10.82	30.21
Diluted (cents per share)[ii]	10.82	30.21

(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

	2019	2018
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

	2019 $'000	2018 $'000
Earnings for basic EPS[i]	9,452	26,387
Earnings for diluted EPS[i]	9,452	26,387

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

6. Dividends

	Consolidated 2019 $'000	Consolidated 2018 $'000
Fully paid ordinary shares		
Final dividend for the year ended 30 June 2018 of 5 cents (2017 – 5 cents) per fully paid share	4,367	4,367
Interim dividend for the year ended 30 June 2019 of 3 cents (2018 – 5 cents) per fully paid share	2,620	4,367
Total dividends provided for or paid	6,987	8,734

On 29 August 2019 the Directors recommended a final ordinary dividend of $2,620,000 (3.0 cents per fully paid share) to be paid on 17 October 2019 out of retained earnings at 30 June 2019. The dividend will be 50% franked. The dividend has not been provided for in the 30 June 2019 financial statements.

	Consolidated 2019 $'000	Consolidated 2017 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2018: 30%)	8,794	15,977
	8,794	15,977

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 or the receivable of income tax refund after the end of year,

(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 growth strategy

7. Property, plant and equipment

	Consolidated 2019 $'000	Consolidated 2018 $'000
Land and buildings		
Freehold land		
Cost	5,294	5,256
Total land	**5,294**	**5,256**
Buildings		
Cost	67,084	42,690
Accumulated depreciation	(9,040)	(6,456)
Total buildings	**58,044**	**36,234**
Total land and buildings	**63,338**	**41,490**
Plant and equipment		
Plant and equipment		
Cost	392,531	305,948
Accumulated depreciation	(155,219)	(128,262)
Total plant and equipment	**237,312**	**177,686**
Capital work in progress		
Cost	19,736	67,147
Total capital work in progress	**19,736**	**67,147**
Leased plant and equipment		
Cost	–	–
Accumulated depreciation	–	–
Total leased plant and equipment	–	–
Total plant and equipment	**257,048**	**244,833**
Total property, plant and equipment	**320,386**	**286,323**

7. 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 2019						
Cost	5,294	67,084	392,531	–	19,736	484,645
Accumulated depreciation	–	(9,040)	(155,219)	–	–	(164,259)
Net carrying amount	**5,294**	**58,044**	**237,312**	**–**	**19,736**	**320,386**
Movement						
Net carrying amount at the beginning of the year	5,256	36,234	177,686	–	67,147	286,323
Additions	–	76	809	–	–	885
Disposals and write-offs	–	–	(269)	–	–	(269)
Work In Progress Additions	–	–	–	–	63,326	63,326
Depreciation and amortisation	–	(2,585)	(27,294)	–	–	(29,879)
Acquisition in business combination	–	–	–	–	–	–
Capitalisation to asset categories	38	24,319	86,380	–	(110,737)	–
Transfers between classes	–	–	–	–	–	–
Net carrying amount at the end of the year	**5,294**	**58,044**	**237,312**	**–**	**19,736**	**320,386**

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

7. Property, plant and equipment (continued)

Recognition and measurement

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

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

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

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

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

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

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

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

8. Other non-current assets

	Consolidated 2019 $'000	Consolidated 2018 $'000
Marine farming leases		
Cost	16,244	16,244
Accumulated amortisation	(7,391)	(6,949)
	8,853	**9,295**

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 15–30 years.

9. Capital and leasing commitments

	Consolidated 2019 $'000	Consolidated 2018 $'000
Non-cancellable operating leases		
Not longer than 1 year	24,376	14,612
Longer than 1 year and not longer than 5 years	101,908	64,714
Longer than 5 years	106,281	79,954
	232,565	**159,280**

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' and well-boat 'Ronja Storm'.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Capital expenditure commitments		
Plant and equipment	1,042	–
Capital expenditure projects	–	8,984
	1,042	**8,984**
Payable:		
Not longer than 1 year	1,042	8,984
Longer than 1 year and not longer than 5 years	–	–
Longer than 5 years	–	–
	1,042	**8,984**

Recognition and measurement

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

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

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

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

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

Net debt and working capital

10. Notes to the statement of cashflows

	Consolidated 2019 $'000	Consolidated 2018 $'000
(a) Cash and cash equivalents as at the end of the financial year as shown in the consolidated statement of cashflows is reconciled to the related items in the consolidated balance sheet as follows:		
Cash and cash equivalents	2,611	2,787
	2,611	2,787
(b) Reconciliation of profit for the period to net cash inflow from operating activities:		
Profit for the period	9,452	26,387
Non-cash items		
Depreciation and amortisation	30,321	24,455
Net (gain)/loss on disposal of non-current assets	79	319
Share-based payment expense	551	830
(Increase)/decrease in assets		
Trade and other receivables	2,970	(3,639)
Biological assets and inventories	(40,181)	18,632
Current tax receivable	(1,578)	–
Prepayments	(4,198)	(1,881)
Increase/(decrease) in liabilities		
Trade and other payables	22,341	(16,179)
Current tax liabilities	(6,432)	6,432
Deferred tax liabilities	613	1,927
Provisions	1,016	1,104
Other liabilities	(464)	(463)
Net cash inflow from operations	**14,490**	**57,924**

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 2019 $'000	Consolidated 2018 $'000
Trade receivables	29,228	31,897
Loss allowance	(304)	(296)
Other receivables	1,544	1,322
	30,468	**32,923**

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 loss allowance.

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. A loss allowance account 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 uncollectable 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 Consolidated Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical loss rates, adjusted to reflect current and forward looking information. On this basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 60 days past due	Total
30 June 2019				
Expected loss rate	0.38%	6.22%	88.6%	
Gross carrying amount – Trade and other receivables	24,470	530	202	25,202
Loss allowance	92	33	179	304
1 July 2018				
Expected loss rate	0.33%	6.28%	42.49%	
Gross carrying amount – Trade and other receivables	26,955	653	393	28,001
Loss allowance	88	41	167	296

11. Trade and other receivables (continued)

No adjustments to the prior year loss allowance were made on transition to AASB 9. The closing loss allowances for trade receivables as at 30 June 2019 reconcile to the opening loss allowances as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Loss allowance – calculated under AASB 139	(296)	(242)
Amounts restated through opening retained earnings	–	–
Opening loss allowance as at 1 July 2018 – calculated under AASB 9	(296)	(242)
Increase in loss allowance recognised in profit or loss during the year	(48)	(54)
Receivables written off as uncollectable	40	–
Loss allowance at year end	(304)	(296)

12. Inventories

	Consolidated 2019 $'000	Consolidated 2018 $'000
Processed fish & finished goods	3,776	6,348
Feed and packaging	9,341	6,572
Inventory provisions	(307)	(523)
	12,810	**12,397**

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 2019 $'000	Consolidated 2018 $'000
Prepayments	9,168	4,970
	9,168	**4,970**

14. Trade and other payables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade payables	67,315	48,466
Other payables	5,115	3,845
Goods and services tax (GST) payable	–	–
	72,430	**52,311**

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 2019 $'000	Consolidated 2018 $'000
Current		
Secured		
Finance lease liabilities	–	–
Bank Loans	6,157	36,851
Other Loans	3,495	2,291
Unsecured		
Other loans	–	18
	9,652	**39,160**
Non-current		
Secured		
Finance lease liabilities	–	–
Bank Loans	131,696	44,913
Other Loans	–	–
Unsecured		
Other loans	46	48
	131,742	**44,961**
	141,394	**84,121**

The weighted average effective interest rate on the bank loans is 3.35% per annum (2018: 3.49% per annum).

	2019 $'000		2018 $'000	
	Limit	**Undrawn Balance**	**Limit**	**Undrawn Balance**
Amortising Term Loan	46,250	–	55,000	–
Term Loan	110,000	18,000	50,000	24,000
Working Capital	10,000	10,000	6,000	5,000
Bank Guarantee	2,500	200	2,500	200
Uncommitted Term Loan	20,000	20,000	–	–
Uncommitted foreign exchange contracts	–	Discretionary	–	Discretionary
Uncommitted interest rate swaps	–	Discretionary	–	Discretionary
Aggregate Facility Limit	188,750		113,500	
Aggregate Undrawn Balance		48,200		29,200

15. Borrowings (continued)

The borrowings are secured by means of a charge over the Consolidated Group's assets. The carrying amounts of assets pledged as security are as recognised in the Consolidated Group's balance sheet.

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

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

Facility Renewal:

The Consolidated Group entered into an agreement to refinance its debt facilities in October 2018. The total debt facility increased from $113,500,000 to $192,500,000 for a maximum of five years. In FY2019 there was amortisation without redraw of $3,750,000.

Loan covenants:

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

- Equity Ratio (Tangible Net Worth/Total Tangible Assets) greater than 50% (measured annually on 30 June);
- Leverage Ratio (Net Debt/Operating EBITDA) not greater than a maximum of 3.0 times at 30 June 2019 and 2.75 times for following periods (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 2019		Consolidated 2018	
	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.

		2019		2018	
	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.

16. Issued capital (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Total borrowings	141,394	84,121
Less cash and cash equivalents	(2,611)	(2,787)
Net debt	**138,783**	81,334
Total equity	**314,120**	311,705
Gearing ratio	**44.2%**	26.1%

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 2019 $'000	Consolidated 2018 $'000
Balance at the beginning of financial year	1,374	544
Shares issued under employee share plan	(601)	–
Share-based payment expense	551	830
Balance at the end of financial year	**1,324**	**1,374**

The share-based payment reserve is used to recognise the grant date fair value of performance rights issued to employees.

The performance rights are issued to the Chief Executive Officer and Management as part of the LTI plan. Refer to note 26 for further details.

Other

18. Financial assets

	Consolidated 2019 $'000	Consolidated 2018 $'000
Investment in Salmon Enterprises of Tasmania Pty Ltd ("Saltas")[i]	1,341	1,341
Investment in Commercial Fishermans Co-operative	1	1
	1,342	**1,342**

(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 2019 $'000	Consolidated 2018 $'000
Derivatives carried at fair value		
Foreign currency forward contracts	–	571
Commodity forward contract	56	–
	56	**571**

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 4)

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.

20. Fair value measurements (continued)

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.

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.

From 1 July 2018, the Consolidated Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through OCI or through profit or loss), and
– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Consolidated Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Consolidated Group reclassifies debt investments when and only when its business model for managing those assets changes

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Consolidated Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Consolidated Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Consolidated Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

20. Fair value measurements (continued)

Impairment

From 1 July 2018, the Consolidated Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Consolidated Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 11 for further details.

The Consolidated Group has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Consolidated Group's previous accounting policy.

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 2019 $'000	Consolidated 2018 $'000
Financial Assets		
Cash and cash equivalents	2,611	2,787
Trade and other receivables	30,468	32,923
Derivative financial instruments	56	571
Total Financial Assets	**33,135**	**36,281**
Financial Liabilities		
Trade and other payables	72,430	52,311
Borrowings	141,394	84,121
Derivative financial instruments	2,222	–
Total Financial Liabilities	**216,046**	**136,432**

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 2019 $'000	Consolidated 2018 $'000
Floating rate		
Expiring within one year (bank loans)	15,000	5,000
Expiring beyond one year (bank loans)	13,000	24,000
	28,000	**29,000**

Maturities of financial liabilities

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

(a) based on their contractual maturities:

(i) all non derivative financial liabilities

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

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

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

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

Contractual maturities of financial liabilities	Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	Carrying Amount $'000
At 30 June 2019					
NON DERIVATIVES					
Borrowings	13,454	144,779	–	158,233	141,394
Trade and other payables	72,430	–	–	72,430	72,430
Total expected outflows	**85,884**	**144,779**	**–**	**230,663**	**213,824**
DERIVATIVES					
Net settled (forward foreign exchange contracts)					
– (inflow)	(56)	–	–	(56)	(56)
– outflow	772	1,450	–	2,222	2,222
Total expected (inflow)/outflow	**716**	**1,450**	**–**	**2,166**	**2,166**

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 2018					
NON DERIVATIVES					
Borrowings	40,716	47,572	–	88,288	84,121
Trade and other payables	52,311	–	–	52,311	52,311
Total expected outflows	**93,027**	**47,572**	**–**	**140,599**	**136,432**
DERIVATIVES					
Net settled (forward foreign exchange contracts)					
– (inflow)	(571)	–	–	(571)	(571)
– outflow	–	–	–	–	–
Total expected (inflow)/outflow	**(571)**	**–**	**–**	**(571)**	**(571)**

(c) Market risk management

(i) INTEREST RATE RISK MANAGEMENT

The Consolidated Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Consolidated Group to cash flow interest rate risk. Group policy is to maintain up to 50% of its borrowings at fixed rate using floating-to-fixed interest rate swaps to achieve this when necessary. Generally, the Consolidated Group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Consolidated Group borrowed at fixed rates directly.

At 30 June 2019: 98% (2018: 97%) 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	
	2019 %	2018 %	2019 $'000	2018 $'000
Floating rate instruments				
Bank Loans	3.35%	3.49%	138,250	82,000
			138,250	**82,000**

21. Financial risk management (continued)

Interest rate sensitivity analysis

Profit or loss is sensitive to higher/ lower interest income from cash and cash equivalents, and higher/ lower interest expense on variable rate borrowings as a result of changes in interest rates. Other components of equity change as a result of an increase/ decrease in the fair value of the cash flow hedges through other comprehensive income.

	Impact on post-tax profit	
	2019 $'000	2018 $'000
Interest rates – increase by 50 basis points	348	(311)
Interest rates – decrease by 50 basis points	(348)	311

(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 2019 $'000	Consolidated 2018 $'000
Trade payables (import creditors)	24,470	15,887
Forward exchange contracts		
Buy foreign currency (cash flow hedges)	12,088	12,984
Sell foreign currency (cash flow hedges)	11,742	6,167

Consolidated Group sensitivity

Based on the financial instruments held at 30 June 2019, had the Australian dollar strengthened/weakened by 10% against the US dollar and the Japanese Yen with all other variables held constant, the Consolidated Group's pre-tax profit for the period would have been $167,204 lower/$38,502 lower (2018: $1,536,863 higher/$1,108,976 lower), mainly as a result of foreign exchange gains/losses on translation of US dollar and JPY Yen denominated financial instruments as detailed in the above table.

21. Financial risk management (continued)

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.

(iii) PRICE RISK

The Consolidated Group's exposure to price risk arises from variations in fuel prices over the course of the year. Price risk arises when future transactions are forecast using a price that is variable to a number of market factors.

To manage the risk arising from fuel prices, the Consolidated Group enters into commodity derivatives, the value of which at year end is shown in note 19.

Consolidated Group sensitivity

Based on the financial instruments held at 30 June 2019, had the commodity prices strengthen/weakened by 10% with all other variables held constant, the Consolidated Group's pre-tax profit for the period would have been $64,817 higher/$64,817 lower. No commodity derivatives were held in 2018.

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 2019 $'000	Consolidated 2018 $'000
Statement of financial position		
Assets		
Current assets	1,578	1
Non-current assets	161,709	172,251
Total assets	**163,287**	**172,252**
Liabilities		
Current liabilities	–	6,432
Total liabilities	**–**	**6,432**
Equity		
Issued capital	164,302	164,302
Share-based payment reserve	1,324	1,374
Retained earnings	4,648	8,878
Dividends provided for or paid	(6,987)	(8,734)
Total equity	**163,287**	**165,820**
Financial performance		
Profit/(loss) for the period	4,505	5,533
Total comprehensive income/(loss)	**4,505**	**5,533**

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.

22. Parent information (continued)

Tax consolidation legislation

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

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

In addition to its own current and deferred tax amounts, Huon Aquaculture Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax Consolidated Group. In the current year tax losses of $10,482,819 (tax effected at 30%) (2018: $11,557,574 (tax effected at 30%)) have been assumed from controlled entities in the tax Consolidated Group.

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

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

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

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

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 2018 and 2019 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 2019 $'000	Consolidated 2018 $'000
(a) Income tax recognised in profit or loss:		
Tax (expense)/income comprises:		
Current tax (expense)/income	1,578	(6,432)
Adjustments for current tax of prior periods	4,871	4,196
Increase in deferred tax assets	11,161	(5,244)
Increase in deferred tax liabilities	(12,456)	3,321
Total tax (expense)	**5,154**	**(4,159)**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Profit from continuing operations before income tax expense	**4,298**	**30,546**
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%) for the Consolidated Group.	(1,290)	(9,164)
Adjustment recognised in the current year in relation to prior years:		
Research and development tax credit	6,448	5,012
Other	–	–
Non-tax deductible items	(4)	(7)
Income tax benefit/(expense)	**5,154**	**(4,159)**
The applicable weighted average effective tax rates are as follows:	(119.9%)	13.6%
(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	1,578	–
Net current tax balance	**1,578**	**–**
Current tax liabilities comprise:		
Income tax payable attributable to:		
Entities in the tax-Consolidated Group	–	6,432
Net current tax balance	**–**	**6,432**

24. Income tax (continued)

(d) Deferred tax balances:

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

2019	Opening balance $'000	Charged to income $'000	Adjustments for current tax of prior periods $'000	Closing balance $'000
Gross deferred tax liabilities:				
Biological assets	(46,597)	(10,149)	–	(56,746)
Property, plant and equipment	(12,821)	(2,547)	682	(14,686)
Trade and other receivables	(146)	61	–	(85)
Other non-current assets	(1,937)	133	–	(1,804)
Other financial assets	(300)	46	–	(254)
	(61,801)	**(12,456)**	**682**	**(73,575)**
Gross deferred tax assets:				
Provisions	2,379	305	–	2,684
Other financial assets	–	–	–	–
Trade and other receivables	(82)	174	–	92
Property, plant and equipment	185	(19)	–	166
Other intangibles	3	–	–	3
Share issue expenses	335	(335)	–	–
Tax Losses	–	10,483	10	10,493
Research and development	–	–	–	–
Borrowing costs	3	7	(10)	–
Share-based payments	412	(15)	–	397
Deferred Revenue	866	(139)	–	727
Trade and other payables	123	700	–	823
	4,224	**11,161**	**–**	**15,385**
Net deferred tax asset/(liability)	**(57,577)**	**(1,295)**	**682**	**(58,190)**

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

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.

The Group is subject to income taxes and is entitled to claims for certain tax deductions. Judgements and estimates are required in determining the provision for income taxes and claims for deductions. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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

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 2019 $	Consolidated 2018 $
Short-term employee benefits	2,813,097	2,499,810
Post-employment benefits	203,931	203,661
Long-term benefits	–	–
Termination benefits	–	–
Share-based payments	488,906	792,611
	3,505,934	**3,496,082**

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

26. Share-based payment

(a) Share-based payment arrangements

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

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

Performance period

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

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

If the specific performance criteria are satisfied, the Board has resolved to issue, or procure the transfer of Shares, or alternatively pay the cash amount of equivalent value, to Mr Bender and management on the vesting of those performance rights.

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

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

26. Share-based payment (continued)

Number of Shares to be Allocated

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

Earnings Per Share (EPS) – 50% of LTI

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

Return On Assets (ROA) – 50% of LTI

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

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

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

(b) Performance rights granted

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

2019	Performance Period		Balance		Granted			Balance	
Grant Date	From	To	at Start of Year	Other	During Year	Forfeited	Vested	at End of Year	FV per Share
25-Nov-15	1-Jul-15	30-Jun-17	30,136	–	–	–	(30,136)	–	$4.04
25-Nov-15	1-Jul-15	30-Jun-18	32,360	–	–	–	(32,360)	–	$4.04
19-Oct-15	1-Jul-15	30-Jun-17	32,561	–	–	–	(32,561)	–	$4.01
19-Oct-15	1-Jul-15	30-Jun-18	34,964	–	–	–	(34,964)	–	$4.01
30-Nov-16	1-Jul-16	30-Jun-18	110,424	–	–	–	–	110,424	$3.71
30-Nov-16	1-Jul-16	30-Jun-19	144,340	–	–	(46,690)	–	97,650	$3.71
30-Nov-17	1-Jul-17	30-Jun-20	210,429	–	–	–	–	210,429	$4.01
31-Oct-18	1-Jul-18	30-Jun-21	–	–	237,360	–	–	237,360	$4.26

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

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

26. Share-based payment (continued)

(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 31 October 2018 for those granted to the Chief Executive Officer and to management.

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

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

	Chief Executive Officer	Senior Management
Share price at grant date	$4.54	$4.54
Dividend yield (per annum effective)	2.1%	2.1%
Risk free discount rate (per annum)	2.23%	2.23%
Expected price volatility	43.7%	43.7%
Term of performance right	1-3 years	1-3 years
Fair value of performance right	$4.26	$4.26

The expense recognised in relation to performance rights applicable to the Chief Executive Officer and management for the year ended 30 June 2019 is $551,261 (2018: $829,613).

Recognition and measurement

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

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

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

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

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 2019 $	Consolidated 2018 $
(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	289,172	284,570
Superannuation Contributions		
Contributions to superannuation funds on behalf of employees	24,182	24,355
(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	455,357	537,000
	455,357	537,000
(v) Outstanding balances arising from sales/purchases of goods and services		
Current Payables:		
Entities controlled by close family members	164,340	204,036
Entities controlled by key management personnel	–	–
	164,340	204,036

(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 2019 $	Consolidated 2018 $
Salmon Enterprises of Tasmania Pty Ltd	2,237,632	1,719,355

(ii) Financial guarantee contract

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

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 2019 $	Consolidated 2018 $
(a) PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	200,000	200,000
Other assurance services	6,000	7,800
Total remuneration for audit and other assurance services	206,000	207,800
(ii) Taxation & other advisory services		
Taxation & other advisory services	114,922	40,800
Other advisory services	–	–
Total remuneration for taxation and other advisory services	114,922	40,800
Total remuneration of PricewaterhouseCoopers Australia	**320,922**	**248,600**
(b) Non PricewaterhouseCoopers firms		
(i) Audit and other assurance services		
Other assurance services	–	81,073
Total remuneration for audit and other assurance services	–	81,073
(ii) Taxation services		
Taxation advisory services	33,096	567,309
Total remuneration for taxation services	33,096	567,309
(iii) Other services		
Legal services	–	–
Total remuneration for other services	–	–
Total remuneration of non-PricewaterhouseCoopers firms	**33,096**	**648,382**

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

29. Goodwill

	Consolidated 2019 $'000	Consolidated 2018 $'000
Gross carrying amount		
Balance at the beginning of financial year	4,496	4,496
Additions	–	–
Balance at the end of financial year	**4,496**	**4,496**
Accumulated impairment losses		
Balance at the beginning of financial year	(1,601)	(1,601)
Impairment losses for the year	–	–
Balance at the end of financial year	**(1,601)**	**(1,601)**
Net book value		
Balance at the beginning of financial year	2,895	2,895
Balance at the end of financial year	**2,895**	**2,895**

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

Recognition and measurement

Goodwill

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

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

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

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 FY2019, but below current market prices.
Production costs	Projections of conservative cost savings and recognising efficiencies post the Controlled Growth Strategy implementation.
Annual Capital Expenditure	Capital spend requirements estimated to meet growth projections.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rates	Discount rates represent the current market assessment of the risks relating to the relevant segment.
	In performing the value-in-use calculations for each cash-generating unit, the Consolidated Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed in the table be-low. The movement in the pre-tax discount rates between 2018 and 2019 reflect changes in the anticipated timing of future cash flows.

	2019	2018
Long-term growth rate	3.0%	3.0%
Pre-tax discount rate	11.3%	14.4%

Impairment of assets

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

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

Critical accounting estimates

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

30. Other Intangible Assets

	Consolidated 2019 $'000	Consolidated 2018 $'000
Gross carrying amount		
Balance at the beginning of financial year	100	100
Additions	330	–
Balance at the end of financial year	**430**	**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	430	100

Other intangible assets relate to hatchery establishment costs and trademarks. Additions during the 2019 financial year relate to the acquisition of rights to feeding systems software.

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

Refer to note 29 for impairment tests for other intangible assets.

31. Interests in subsidiaries

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

Name of subsidiary	Principal place of business	Note	Ownership interest held by the Consolidated Group 2019 %	2018 %
Huon Aquaculture Company Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117			100%
Springs Smoked Seafoods Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)		100%
Springfield Hatcheries Pty Ltd	32-36 Headquarters Road, South Springfield, TAS, 7260	(i)		100%
Huon Ocean Trout Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)		100%
Huon Shellfish Co Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)		100%
Huon Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)		100%
Huon Smoked Seafoods Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)		100%
Huon Smoked Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)		100%
Huon Seafoods Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)		100%
Huon Tasmanian Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)		100%
Springs Smoked Salmon Pty Ltd	961 Esperance Coast Road, Dover, TAS, 7117	(i)		100%
Southern Ocean Trout Pty Ltd	2 Esplanade, Strahan, TAS, 7468	(i)		100%
Morrison's Seafood Pty Ltd	2 Esplanade, Strahan, TAS, 7468	(i)		100%
Meadowbank Hatchery Pty Ltd	2 Esplanade, Strahan, TAS, 7468	(i)		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 2019 $'000	Consolidated 2018 $'000
Derivatives carried at fair value		
Foreign currency forward contracts	49	–
Interest rate swap	2,173	–
	2,222	**–**

Refer to note 20 for fair value measurement and hierarchy.

33. Provisions

	2019 Current $'000	2019 Non-current $'000	2019 Total $'000	2018 Current $'000	2018 Non-current $'000	2018 Total $'000
Annual Leave	5,444	–	5,444	4,820	–	4,820
Long-Service Leave	2,137	1,365	3,502	1,752	1,358	3,110
	7,581	1,365	8,946	6,572	1,358	7,930

	Annual leave $'000	Long-service leave $'000	Total $'000
Carrying amount at start of year	4,820	3,110	7,930
Additional provisions recognised	3,497	524	4,021
Amounts used during the year	(2,873)	(132)	(3,005)
Carrying amount at end of year	5,444	3,502	8,946

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 $5,444 (2018: $4,820) 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 2019 $'000	Consolidated 2018 $'000
Leave obligations expected to be settled after 12 months	6,302	5,285

Recognition and measurement

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

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

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

Employee Benefits

Short-term employee benefits

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

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

33. Provisions (continued)

Other long-term employee benefits

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

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

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

34. Other liabilities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred government grants		
Current	464	464
Non-Current	1,960	2,424
	2,424	**2,888**

During the 2015 financial year government grants of $5,000,000 were received relating to the Parramatta Creek Smokehouse and Product Innovation Centre. The nature of the grants related to both income and to assets. During the financial year $464,000 (2018: $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 2019 $'000	Consolidated 2018 $'000
Revenue from the sale of goods			
Domestic market		258,073	258,842
Export market		23,882	59,054
Total revenue from the sale of goods	1	**281,955**	**317,896**
Results from segment activities			
Domestic market		58,314	75,316
Export market		910	6,824
Total results from segment activities		**59,224**	**82,140**
Unallocated		4,802	(1,064)
Interest income		7	356
Other income		9,251	10,391
Depreciation – net impact in inventory		(4,558)	209
Other expenses		(21,374)	(20,296)
Operating EBITDA		**47,352**	**71,736**
Depreciation and amortisation expense		(25,762)	(24,664)
Finance costs		(8,174)	(3,659)
Fair value adjustment		(9,118)	(12,867)
Profit before income tax expense		**4,298**	**30,546**

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

All of the non-current assets are located in Australia being the domicile country of the Consolidated Group.

The chief operating decision maker only reviews export market sales.

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

37. Subsequent events

On 29 August 2019 the Directors recommended the payment of a final ordinary dividend of $2.6 million (3.0 cents per fully paid share) to be paid on 17 October 2019 out of retained earnings at 30 June 2019. The dividend will be 50% franked. The dividend has not been provided for in the 30 June 2019 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 57 to 105 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 2019 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, deputy chief executive officer and the chief financial officer required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors

Neil Kearney
Chairman
29 August 2019

Peter Bender
Managing Director and CEO
29 August 2019

Independent auditor's report

To the members of Huon Aquaculture Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the 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 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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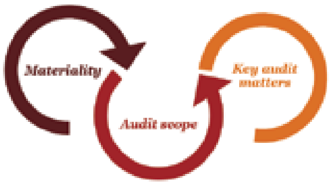
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001
T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au

Our audit approach

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

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



Materiality

- For the purpose of our audit we used overall Consolidated Group materiality of $1.45 million 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 net depreciation and amortisation was used in our calculation as outlined in note 3(b) to the financial report.
- 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.
- 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.

Audit scope

- Our audit focused on where the 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.

pwc

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Fair value of biological assets *(refer to note 4)* The Consolidated Group held biological assets of $209.1 million at 30 June 2019. 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 • costs to sell of HOG/kg. 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).	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. We performed the following procedures over specific valuation inputs; amongst others: *Number and weight 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. • We assessed year end fish loss adjustments made to count or weight, if any, by comparing closing figures per Fishtalk to management's June weight review to identify any manual adjustments made based on bathing data or close out of pens. • We assessed the weight assumption at 30 June 2019 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*

Key audit matter	*How our audit addressed the key audit matter*
	• We assessed the expected mortality percentages applied at year-end by comparing them to actual mortality rates recorded by the Consolidated Group over the year and subsequent to year end. *Selling price per HOG/kg* • We agreed the selling price per HOG/kg achieved over a 12 month period for domestic and export sales to customer invoices on a sample basis. • We compared the 12 month average selling price per HOG/kg for domestic and export sales to the price per HOG included in the calculation of fair value of finfish. • We compared the forecast volumes for domestic and export sales volumes to the Board approved forecast for the year ended 30 June 2020. • 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.
Borrowings *(refer to note 15)* As 30 June 2019, the Consolidated Group recognised interest bearing debt of $141.4 million. Borrowings represent the largest liability on the balance sheet. In October 2018, the Consolidated Group refinanced its long-term debt facilities. Borrowings is a key number on the balance sheet and is an important funding mechanism. As a result, we consider accounting for borrowings to be a key audit matter at 30 June 2019.	Our audit procedures included, but were not limited to: • Obtained external confirmations from the Consolidated Group's financiers to confirm the balance of the borrowings. • Read the borrowing agreements and inspected correspondence between the Consolidated Group and its financiers to develop an understanding of the terms associated with the facilities, including financial covenants. • Compared the debt and maturity profile of the facility within the debt agreement to the classification of borrowings in the financial report at 30 June 2019. • Assessed the Consolidated Group's evaluation that their borrowings are classified as non-current at 30 June 2019. • Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, 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 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 on the other information that we obtained prior to the date of this auditor's report, 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 Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 35 to 47 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Huon Aquaculture Group Limited for the year ended 30 June 2019 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

Alison Tait
Partner

Melbourne
29 August 2019

Shareholder information

The shareholder information set out below was applicable as at 19 August 2019.

Voting rights

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

Substantial shareholders

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

Ordinary shares	Number of shares	%IC
SURVEYORS INVESTMENTS PTY LTD ACN 602 004 179	44,527,252	50.98%
PETER JAMES BENDER	13,160,973	15.07%
Regal Funds Management Pty Ltd (RFM)	5,344,454	6.12%
MR PETER BENDER & MRS FRANCES BENDER <PJ & FR BENDER FAMILY A/C>	60,000	0.07%
P & F BENDER SUPER PTY LTD <P & F BENDER S/F A/C>	22,000	0.03%
FRANCES ROBYN BENDER (spouse of Peter Bender)	5,794	0.01%
Total	63,035,977	72.18%
Balance of register	24,301,230	27.82%
Grand total	**87,337,207**	**100.00%**

Distribution of securities

Range	No. of Holders	Securities	%
100,001 and Over	12	82,824,727	94.83%
10,001 to 100,000	92	2,092,323	2.40%
5,001 to 10,000	109	827,789	0.95%
1,001 to 5,000	487	1,197,288	1.37%
1 to 1,000	1,029	395,080	0.45%
Total	**1,729**	**87,337,207**	**100.00%**

The number of holders of less than a marketable parcel of ordinary shares, equivalent to 112 ordinary shares, was 102 and they held 4,601 shares (based on a market price of $4.45 at the close of trading on 19 August 2019).

Top 20 largest shareholders

Rank	Name	19 Aug 2019	%IC
1	SURVEYORS INVESTMENTS PTY LTD ACN 602 004 179	44,527,252	50.98%
2	PETER JAMES BENDER	13,160,973	15.07%
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	8,145,009	9.33%
4	UBS NOMINEES PTY LTD	4,724,794	5.41%
5	CITICORP NOMINEES PTY LIMITED	4,166,172	4.77%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,826,633	4.38%
7	NATIONAL NOMINEES LIMITED	1,389,246	1.59%
8	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,387,394	1.59%
9	WARBONT NOMINEES PTY LTD <SETTLEMENT ENTREPOT A/C>	500,000	0.57%
10	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	492,036	0.56%
11	BNP PARIBAS NOMS PTY LTD <DRP>	290,418	0.33%
12	ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C>	214,800	0.25%
13	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	89,548	0.10%
14	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	75,565	0.09%
15	MR MICHAEL GREGORY PETERSON & MS SAMANTHA ANNE WAKE <HAMMER FUND A/C>	69,200	0.08%
16	MR PETER BENDER & MRS FRANCES BENDER <PJ & FR BENDER FAMILY A/C>	60,000	0.07%
17	BOSKENNA PTY LTD	59,000	0.07%
18	WALLBAY PTY LTD <ABELL UNIT ACCOUNT>	55,000	0.06%
19	AVANTEOS INVESTMENTS LIMITED <BIDDLECOMBE PTY LTD A/C>	50,000	0.06%
20	MATRAVILLE INVESTMENT CO PTY LIMITED	50,000	0.06%
Total		83,333,040	95.42%
Balance of register		4,004,167	4.58%
Grand total		**87,337,207**	**100.00%**

Restricted equity securities

There are no equity securities subject to restriction.

Unquoted equity securities

There are no unquoted equity securities on issue.

On market buy-back

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

Managing shareholding online

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

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

Glossary of Terms

$	Australian dollars
AASB	Australian Accounting Standards Board
AASBs or Australian Accounting Standards or Accounting Standards	Australian Accounting Standards
AASB141	Relates to the fair value adjustment of biological assets required by AASB 141
ABS	Australian Bureau of Statistics
AGD	Amoebic Gill Disease, a fish disease that compromises gill function
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the Australian Securities Exchange operated by ASX Limited
Atlantic salmon or salmon	A fish in the family Salmonidae, which is typically found in the northern Atlantic Ocean and in rivers that flow into the north Atlantic
Bender Family	Peter Bender and Frances Bender, the founders of Huon and (as applicable) Surveyors Investments Pty Ltd (an entity controlled by Peter and Frances Bender)
Biological assets	Farm animals that are classified as assets which, according to International Accounting Standards, must be recorded on balance sheets at their market value. Once the assets have either been slaughtered or harvested, then the assets will become agricultural produce
Bonus Plan	A component of the LTI plan whereby the Board may determine to offer KMP LTI plan performance rights in lieu of a bonus where the Employee agrees to contractually forgo part of their future pre-tax bonus.
British Retail Consortium (BRC)	BRC Global Standard A leading safety and quality certification program
Broodstock	A group of mature fish used in aquaculture for breeding purposes
CAGR	Compound annual growth rate
CBA	Commonwealth Bank of Australia
Constitution	The constitution of the Company
Control event refers to:	(a) A Court orders a meeting to be convened in relation to a proposed compromise or arrangement for the purposes of, or in connection with: 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
FAO	Food and Agriculture Organization is specialised agency of the United Nations

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

Corporate Directory

Directors

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

Senior Executives

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

Company Secretary

- Thomas Haselgrove

Registered Office

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

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

Principal Place of Business

Huon Aquaculture Group Limited
961 Esperance Coast Road
Dover TAS 7109

Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006

Bankers

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

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

Stock Exchange Listing

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

The Home Exchange is
Melbourne, Victoria

ASX Code: HUO

Share Registry

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

HUON AQUACULTURE GROUP LIMITED ANNUAL REPORT 2019

HUON AQUACULTURE

www.huonaqua.com.au

Huon Aquaculture Group Limited