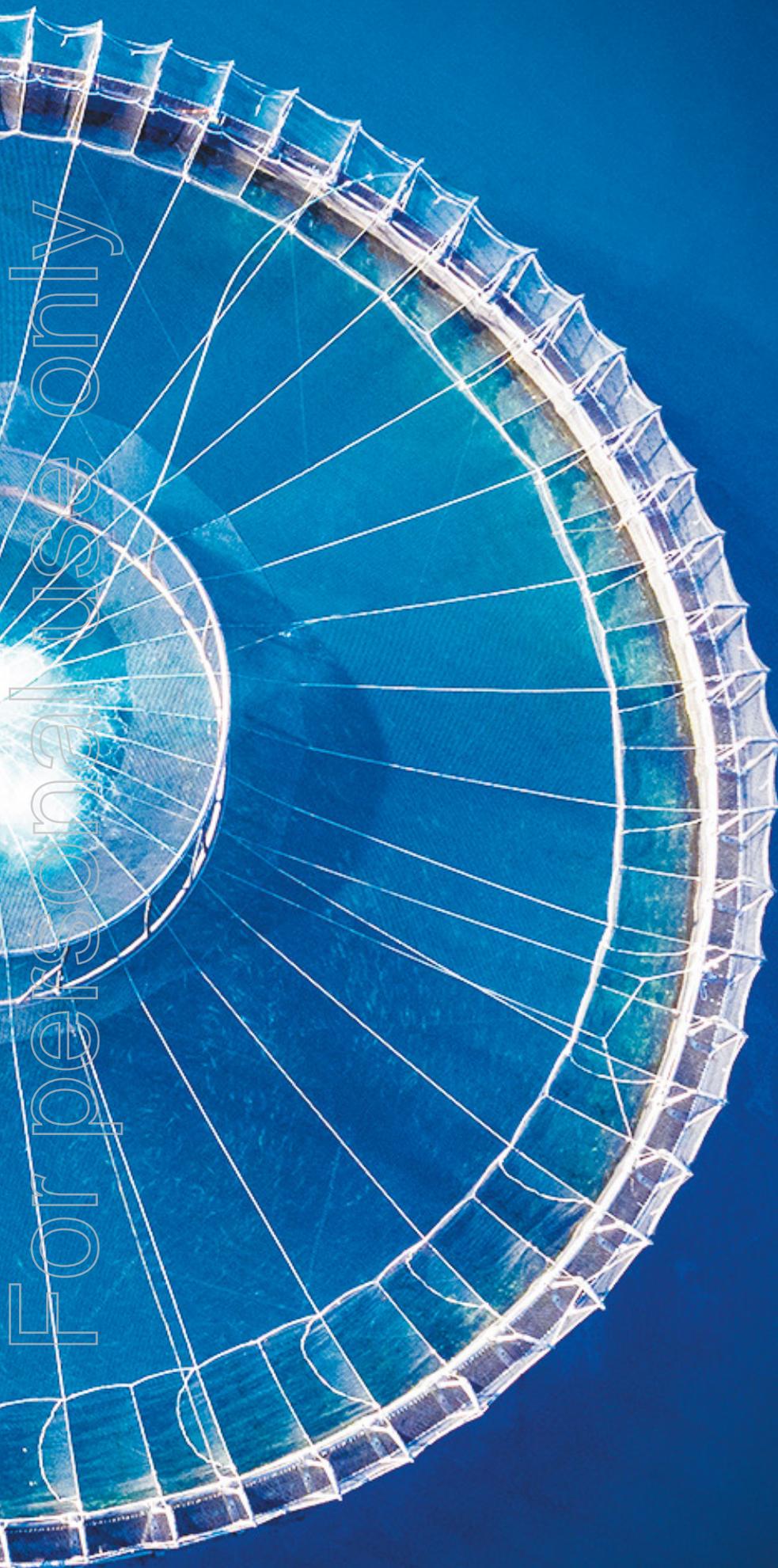




ANNUAL REPORT
2019

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Company Directory

Directors

Allan McCallum, Dip.Ag Science, FAICD (Chairman)
Trevor Gerber, B.Acc CA (SA)
Christopher Leon, BScEng, MEngSci, FAICD
Mark Ryan, B.Com, CA, MAICD, FAIM (Managing Director)
John Watson, AM
Jackie McArthur, B.Eng (Aero) (Appointed 27 November 2018)
Georgina Lynch, BA.LLB (Appointed 27 November 2018)

Chief Executive Officer

Mark Ryan, B.Com, CA, MAICD, FAIM

Company Secretary

Monika Maedler, BEc, LLB, FCIS

Registered Office*

Level 9
1 Franklin Wharf
Hobart
Tasmania 7000
Telephone +61 3 6244 9035
E-mail tassal@tassal.com.au
Website www.tassalgroup.com.au
ABN 15 106 067 270

(*Also principal administration office)

Auditors

Deloitte Touche Tohmatsu
Level 8
22 Elizabeth Street
Hobart
Tasmania 7000

Bankers

Westpac Banking Corporation
Level 7
150 Collins Street
Melbourne
Victoria 3000

BankWest
Level 6
600 Bourke Street
Melbourne
Victoria 3000

Coöperatieve Rabobank U.A.
Level 9
1 Collins Street
Melbourne
Victoria 3000

Stock Exchange Listing

Tassal Group Limited is listed on the Australian Securities Exchange.

The Home Exchange is Melbourne, Victoria.

ASX Code: TGR

Share Registry

Register of Securities is held at the following address:

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford
Victoria 3067

Enquiries (within Australia)	1300 850 505
Enquiries (outside Australia)	61 3 9415 4000
Investor Enquiries Facsimile	61 3 9473 2555
Website	www.computershare.com

Executive Directory

Mark Ryan	Managing Director and Chief Executive Officer
Mark Asman	Head of Aquaculture
Andrew Creswell	Chief Financial Officer
Ben Daley	Head of Supply Chain and Commercial Services
Kaylene Little	Head of People and Communities (Appointed 29 April 2019)
Dale Williams	Head of Sales and Marketing

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Chairman's and Chief Executive Officer's Report

1. REVIEW OF OPERATIONS

Tassal's Directors are pleased to present the Company's Appendix 4E: Full Year Report to 30 June 2019.

The anticipated favourable market dynamics for FY19 (domestic and export) materialised, with significant increases in salmon biomass growth and sales, combined with positive pricing outcomes offsetting increased salmon cost of goods sold, underpinning a strong increase in Operating earnings. A more gradual growth curve for salmon is expected over the short term (i.e. FY20), which should allow Tassal to further optimise pricing to underpin increasing salmon returns.

The FY19 results demonstrate that Tassal has delivered on its salmon growth strategy – generating strong increases across operational, financial, environmental and social parameters. At the same time, a new growth runway with prawns is being actioned that builds on Tassal's success with salmon.

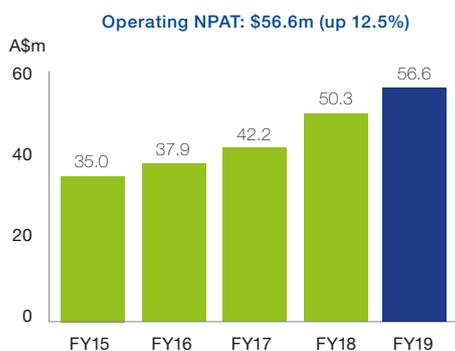
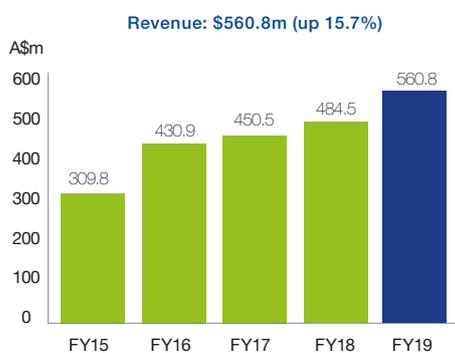
The Directors believe that there is a well-balanced program in place with species, geographic and earnings diversification that should support the Company continuing to deliver strong returns. Specifically, strong returns are expected for:

- Salmon – through pricing, lease optimisation, cost reductions, and improvements in and the adoption of new technologies
- Prawns – through investing in a new growth platform that leverages our experience and builds on our success with salmon. The prawn business provides a shorter working capital cycle and the potential for better earnings / returns characteristics. The potential production from prawns with the aquaculture land acquired (once fully licenced and developed) should support a long-term production target of 20,000t p.a.

The Directors are mindful of Tassal's social licence to operate, and responsibly balance the Company's initiatives and outcomes against scorecard objectives covering people, planet, product and performance. In line with the United Nations' Sustainable Development Goals, and supported by world-class partnerships and certification programs, long-term financial, operational, social, biosecurity and environmental ambitions have been established by Tassal that are centred on collaboration, shared value and responsible growth.

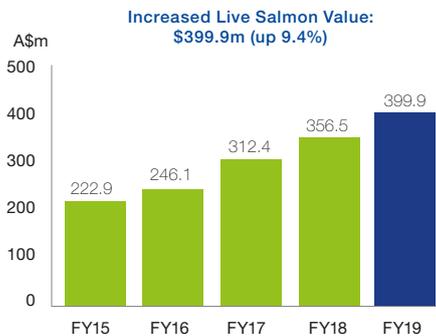
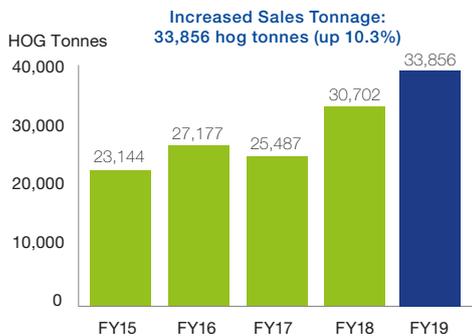
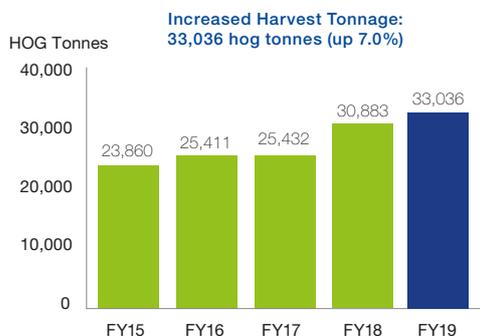
Operational & Financial Highlights

FY19 delivered another record result across all financial metrics – delivering growth for our customers, suppliers, staff, communities in which we operate, and shareholders



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Strong growth in salmon biomass and sales driven by investments in capacity and supporting infrastructure



Strong growth in salmon domestically whilst utilising the export market as a strategic lever to optimise sales

Total Salmon Sales (A\$m)	FY19	FY18	Change
Salmon Volume (Hog equiv tonnes)	33,856	30,702	10.3% ▲
Salmon Average Price (\$/Hog kg equivalent)	\$14.00	\$12.88	8.7% ▲
Salmon Revenue	474.03	395.47	19.9% ▲
EBITDA	106.84	93.30	14.5% ▲
EBITDA (\$/kg)	\$3.16	\$3.04	3.8% ▲

- **Domestic market – continued growth in core salmon domestic market**
 - o Sales volume up 11.0% – 26,860 tonnes (FY18: 24,198 tonnes)
 - o Sales average price up 8.5% – \$14.50 (FY18: \$13.30)
 - o Salmon revenue up 20.5% – \$388.9 million (FY18: \$322.9 million)

- **Export market – attractive market for our larger fish**
 - o Sales average pricing improved (up 9.0%) reflecting stronger global pricing, optimal fish size and favourable exchange rates
 - o Sales volume up 7.6%
 - o Sales revenue up 17.3%
- **Investing in the right initiatives to support sustainable long-term growth**
 - o Successfully implemented **world-leading smart-farming systems** through Tassal's centralised feed centre
 - o Environmentally responsible **eco-aquaculture program expanded** through Federal Government participation
 - o Maintained the construction and delivery timeline for Tassal's **Well Boat** scheduled for delivery in **September / October 2019**
 - o Land acquired for a **new salmon Multi-Purpose Recirculating Aquaculture System (RAS) Facility**
- **Successful entry into prawn aquaculture with the acquisition of the strategically and financially compelling Fortune Group prawn aquaculture business.**

The prawn opportunity provides a superior EBITDA \$/kg to salmon, while also providing geographic and species diversification.

Chairman's and Chief Executive Officer's Report (continued)

Our people

Tassal's Board has endorsed a health and safety strategy, with a **Can-do Safely** culture at its core – **Zero Harm for Everyone, Everywhere**. Tassal's commitment to safety is consistent with the Company's focus on maximising shareholder value. Ultimately, no job is so important that it cannot be done safely.

Tassal's focus and relentless pursuit is to achieve the core value of "Zero Harm". Tassal's goal from a Total Recordable Injury Frequency Rate (**TRIFR**) perspective is < 10.

Compared to FY2018, TRIFR was reduced however we still consider this too high. Also, over the same period, Medical Treated Injury Frequency Rate (**MTIFR**) increased, which is unacceptable. From an external perspective, Tassal's safety achievements would be considered very good. However, until the Company delivers its core value of Zero Harm, Tassal will rank itself as operating at an **unacceptable level**.

The root causes for the increase in MTIFR over FY19 are well understood by the Company and are being addressed. Moving forward, Tassal's training and focus is to instil a philosophy and culture of zero tolerance to medical treatment incidents.

In the medium term, reduction of manual tasks through automation and operational advancements, such as the new Well Boat and Centralised Feed Centre, will also support Tassal's priority goal of achieving Zero Harm.

KPIs	FY19	FY18
LTIFR	0	0.41
MTIFR	12.05	11.77
TRIFR	12.05	12.18
Compliance Scorecard	97.4%	96.9%
Driving Safety Culture Scorecard	95.5%	94.1%

1. Definitions:

LTIFR – Lost Time Injury Frequency Rate: (Number of Lost Time Injuries/Total Number of Hours Worked) X 1,000,000 hours

MTIFR – Medical Treated Injury Frequency Rate: (Number of Medically Treated Injuries/Total Number of Hours Worked) X 1,000,000 hours

TRIFR – Total Injury Frequency Rate: LTIFR + MTIFR+ Restricted work injuries + Fatalities

Financial results

Statutory, Underlying and Operational Financial Performance

Tassal has followed the guidance for underlying profit as issued by the Australian Institute of Company Directors and Financial Services Institute of Australasia in March 2009 and ASIC Regulatory Guide RG 230 'Disclosing non-IFRS financial information'.

The key financial results for FY19 were:

Full Year ended 30 June 2019	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Result \$'000
Revenue (from all sources)	\$560,788	\$0	\$560,788	\$0	\$560,788
EBITDA	\$114,913	\$2,009	\$116,922	(\$4,613)	\$112,309
EBIT	\$91,155	\$2,009	\$93,164	(\$4,613)	\$88,551
Profit before income tax expense	\$81,989	\$2,009	\$83,998	(\$4,613)	\$79,385
Income tax expense	(\$23,550)	(\$603)	(\$24,153)	\$1,384	(\$22,769)
Net profit after income tax expense	\$58,439	\$1,406	\$59,845	(\$3,229)	\$56,616

Full Year ended 30 June 2018	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Result \$'000
Revenue (from all sources)	\$484,535	\$0	\$484,535	\$0	\$484,535
EBITDA	\$110,003	\$588	\$110,590	(\$10,809)	\$99,781
EBIT	\$86,978	\$588	\$87,565	(\$10,809)	\$76,756
Profit before income tax expense	\$79,316	\$588	\$79,903	(\$10,809)	\$69,094
Income tax expense	(\$22,023)	\$0	(\$22,023)	\$3,243	(\$18,780)
Net profit after income tax expense	\$57,293	\$588	\$57,880	(\$7,567)	\$50,313

Statutory results

Biological assets (being salmon at sea and prawns in ponds) are valued under Accounting Standard AASB 141 'Agriculture' (SGARA). The biological assets are accounted for at the fair value of the salmon and prawns at an estimated harvest tonnage and at an estimated future net market value. The reported value of the biological assets at FY19 is compared to FY18, with any difference in value then applied to the income statement as an increment (SGARA uplift) or decrement (SGARA reduction).

The fair value adjustment of the salmon at sea and prawns in ponds (being fair value less estimated point of sale costs) is affected by changes in the following key inputs:

- future harvest quantity
- future net value to be received
- costs to grow the salmon and prawns to a harvestable size
- freight costs to market
- appropriately discounting cashflows from future sales of biological assets.

The key FY19 statutory financial results were:

- **EBITDA** up 4.5% to \$114.9 million (FY18: \$110.0 million)
- **EBIT** up 4.8% to \$91.2 million (FY18: \$87.0 million)
- **NPAT** up 2.0% to \$58.4 million (FY18: \$57.3 million).

Underlying results

Underlying results adjust Tassal's statutory profit to reflect the ongoing business activities of the Company.

Over FY19 Tassal successfully executed its operational initiatives to underpin strong underlying financial results. These results have also provided Tassal with a solid platform from which to drive continued growth, for customers, suppliers, staff, communities and shareholders.

Operational results

Reflecting the underlying performance of the business and excluding the impact of SGARA, the key FY19 operational results were:

- **Revenue** up 15.7% to \$560.8 million (FY18: \$484.5 million)
- **EBITDA** up 12.6% to \$112.3 million (FY18: \$99.8 million)
- **EBIT** up 15.4% to \$88.5 million (FY18: \$76.8 million)
- **NPAT** up 12.5% to \$56.6 million (FY18: \$50.3 million).

Operating cashflow

Operating Cashflow (A\$m)	FY19	FY18
Operating cashflow	89.90	43.88
Investing cashflow	(138.72)	(69.14)
Financing cashflow	49.56	18.53
Net increase/(decrease) in cash held	0.75	(6.74)

Operating cashflow was up 104.9% to \$89.9 million, reflecting the strength of Tassal's underlying business and operational strategy. The continued strength in operating cashflow generation supports Tassal's strategic investment in salmon biomass and capital infrastructure.

Tassal will continue to utilise its cashflows with a responsible capital spend to underpin sustainable growth in long-term returns.

Investing cashflow of \$138.7 million underpins long-term growth and entry into prawns with the acquisition and redevelopment of Fortune Group on 14 September 2018 (\$33.9 million made up of settlement of \$31.9 million + costs of \$2.0 million incidental to the acquisition).

The balance of investing cashflows of \$104.8 million comprised:

- Salmon maintenance capital expenditure - \$33.6 million
- Salmon growth capital expenditure - \$46.0 million
- Prawn growth capital expenditure - \$25.2 million.

Financial returns

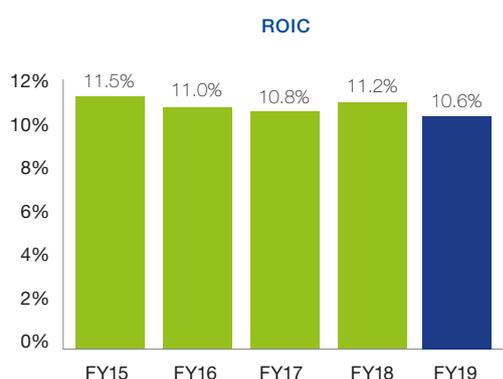
Tassal's FY19 record results demonstrate that the Company has delivered on its salmon growth strategy and reflects a thriving and sustainable seafood business supported by a strong management team, environmentally sound farming practices and attractive market conditions.

Tassal's focus on sustainable salmon growth, together with the strategic investments into the De Costi Seafoods seafood distribution operation, and now its diversification into a higher returning prawn business, is expected to underpin strong earnings over the short to medium term, with returns to be enhanced over the longer term:

- Operational return on assets (ROA) increased slightly to 10.3% in FY19 (FY18: 10.1%), with earnings from prawns yet to materially flow through
- ROIC decreased slightly in FY19 due to substantial capital investment – with earnings from prawns to follow in FY20.

Chairman's and Chief Executive Officer's Report (continued)

Operational ROA and ROIC for last 5 years has demonstrated stable financial returns as the business has invested for growth:



Moving forward, Tassal expects to generate ROA and ROIC from its prawn farming assets (once fully licenced and developed) above historic Group levels.

At 30 June 2019, Tassal had a gearing ratio of 28.2% net debt to equity (post Fortune Group acquisition) and a funding ratio of 38.8% (FY18: 28.5%) net debt + receivable purchase facility to equity. The increased gearing reflects the acquisition of the prawn business in FY19.

Growing dividends

The Directors of Tassal have declared a total year dividend for FY19 of 18.0 cps franked at 25% (FY18: 16.0 cps, 100% franked), with a final dividend of 9.0 cps, 25% franked.

The reduction in franking credits available for distribution reflects Tassal's investment in research and development (R&D) projects that have resulted in previous tax payments being refunded, together with a lower cash tax payment regime in place. This spend was focused on mitigating climate change, supporting responsible growth of salmon biomass on existing leases, and facilitating salmon growth further offshore.

The record and payment dates for the FY19 final dividend are 11 and 30 September 2019, respectively.

Business Performance

For Tassal, our ongoing commitment is to continue to serve better: better quality salmon, prawns & seafood; better environmental outcomes; better community opportunities; better long-term sustainable returns to shareholders; and an overall better future for our people and communities.

Tassal's right to responsibly grow is supported through balancing:

1. Our people: People Safety & Culture

- Continuing to invest in our people
- Driving towards Zero Harm for Everyone, Everywhere

2. Our planet: Environment & Engagement

- Meeting all environmental legislative & regulatory requirements
- Investing in programs delivering environmental and societal benefits and continuing to maintain world leading, independently audited, environmental certification
- Ensuring highly engaged and aligned communities and stakeholders

3. Our product: Food Quality & Marketing

- Delivering safe, high quality, products
- Maintaining the most valued and recognised salmon and seafood brands
- Tassal salmon winning a greater share of plate

4. Our performance:

- Delivering long-term responsible and sustainable growth for shareholders.
- Tassal is committed to providing Australians with responsibly produced and sourced seafood. In 2014, Tassal became the first salmon farming company in the world to be 100% certified by the Aquaculture Stewardship Council (ASC), the highest standard available for farmed seafood.

"The essence of sustainable development is that today's generations meet their needs without prejudicing future generations' ability to meet theirs"

As a growing company in an expanding industry, we are building on our past successes and addressing present challenges, including:

- Reducing marine debris from our operations
- Fostering environmental stewardship among our employees, suppliers and contractors
- Advocating for best practice Marine Spatial Planning and efficient regulations, which will help the salmon and prawn industries grow in a responsible manner with broad community acceptance
- Ensuring our salmon and prawn operations meet the highest sustainability standards; and encourage our industry peers to adopt the same high standards
- Extending our commitment to third party certification to identify and address improvements as required across our operations.

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Business fundamentals and risks

We continue to successfully mitigate (where possible) risk at both the sales & marketing (customer and consumer) and production ends of Tassal's business (environment and fish). Tassal is an agricultural stock and continues to further enhance its risk mitigation in salmon and prawn hatching and growing, with particular focus on operational risk in the marine and pond environment (climate change).

Tassal has a robust risk management system in place with an overall "conservative" risk appetite. We adopt an adaptive management framework encompassing monitoring requirements and management practices aligned with a precautionary approach to salmon and prawn farming. Tassal's risk mitigation strategies counter factors external to management's control including:

- Food Safety – traceability over the supply chain up to the point of sale
- Disease – potential of emerging viral diseases
- Seals – with the seal population ever increasing
- Crocodiles - with crocodiles, like seals being a protected species
- Marine – access and approval of new salmon sites
- Land – access and approval of new 'Greenfield' prawn sites
- Environmental – predicting environmental conditions and adapting to environmental challenges
- Social / Community Value – the concept of shared value as Tassal seeks to use public waterways.

Risk mitigation, particularly around operational risk in the marine environment is a continuous focus at Tassal.

The key and associated mitigation strategies Tassal has put in place include:

- **Climate change and a deep understanding of its impact on the health of fish and the environment**
Climate plays an important role in Tassal's operations – particularly summer water temperatures for salmon farming. Summer is challenging for the Tasmanian salmon industry due to warm water conditions and its impact on biomass growth however summer 2018/19 water temperatures were in line with summer 2017/18. Tassal recognises climate change is likely to present a range of challenges to the aquaculture industry. Without proactive adaptation, salmon farming may become more vulnerable to disease and/or changes in environmental conditions.

Tassal has developed considerable options for adaptation including selective breeding, modification of farming technologies and practices and geographic diversification of its marine farm portfolio. We also engage scientists to identify emerging climate trends and system responses, and to undertake comprehensive broad scale environmental monitoring. Tassal was better prepared entering summer 2018/19 with proactive bathing, an increase in harvest for frozen hog (to use in 2H19) and isolating larger fish to cooler sites. We will further freeze down harvest fish before summer 2019/20 to ensure frozen salmon can be utilised in 2H20 without the requirement to

further bring forward the harvest of the next year class of salmon.

Tassal utilises a comprehensive risk management system to manage the long-term risks, issues and opportunities presented by climate change and responds accordingly. Ultimately, if farmed salmon is managed effectively for the impacts of climate change, a positive financial benefit may be realised from the increased demand of farmed fish to the reduced availability of global wild stocks as a result of climate change impacts and over-fishing for wild stocks.

- **Summer and Autumn water temperatures and the impact on the rate of salmon growth and survival –** Tassal has an advanced Selective Breeding Program (SBP) in place and is focused on growing fish more resilient to higher water temperatures. Summer and Autumn water temperatures remain a challenge.
- **Amoebic Gill Disease (AGD) remains a significant issue –** To ensure Tassal's fish remain healthy and active, we bathe our fish in fresh water. This bathing process cleans the amoeba from the gills of the fish and allows the fish to intake oxygen and release carbon dioxide more efficiently and effectively. To bathe the fish, fish are transferred from salt water to fresh water. Tassal has significantly mitigated this risk through the introduction of the harvest strategy for the South East, together with fish grown in Macquarie Harbour (where there is no AGD) and with all fish now from the SBP.

To further assist moving forward, Tassal will be taking possession a Well Boat under a 10-year lease (with Tassal holding a 5-year option) with the expected delivery in September / October 2019. The Well Boat will have a 3,500m³ water capacity – enough to completely bathe one of Tassal's largest pens around three (3) times quicker than current methods. The Well Boat will also see us bathing fish more efficiently and effectively than our current methods.

Not only does the Well Boat support efficiency gains in our current leases and generate further salmon biomass, it also aligns strategically to our ambitions to farm salmon further offshore in higher energy areas and enables higher fish survival rate, improved biosecurity and fish health and welfare.

- **Seals remain a significant challenge –** Seals are attracted to salmon farms. The risk of seal interactions has increased, particularly as seal relocations ceased on 25 December 2017. Tassal monitors seals and seal interactions extremely closely. Our new ocean sanctuary pens provide the best risk mitigation for seals, and these pens are now being rolled out across all Tassal's farms.
- **Community activism is an increasing risk –** This is not unique to aquaculture nor Tassal, and is part of doing business in many industries. A proactive engagement strategy, centred around shared value principles, has been implemented by Tassal across operating communities and more broadly. This focuses on a range of partnerships and initiatives aligned to our Community Charter.

Chairman's and Chief Executive Officer's Report (continued)

- **Ability to grow to salmon forecasts based on current technologies, methodologies, and production sites (including new prospects) is becoming more difficult**

The industry is starting to test the 'natural capacity' and growth limits for fish farming in current lease areas using today's technologies and methodologies. Adaptive management and innovation have always been at the core of Tassal's business and growth – in fact it is a strong competitive advantage for Tassal. We believe we need to continue to learn, adapt and innovate as we move forward.

To mitigate this risk, Tassal has implemented a centralised feeding strategy. Remote feeding will play a pivotal role for Tassal with it contributing to lower fish growing costs through lower feed conversion ratios; improving environmental outcomes through less feed wastage; improving people safety outcomes with less people working at sea; and improving fish health and welfare through real time monitoring of the fish and environment.

- **Positive market dynamics and prawn ramp-up expected to drive continued earnings growth**

- **Positive market dynamics for both salmon and prawns expected to continue**

- Domestic salmon market growing at circa 10% p.a. over the last 10 years
- Agreements with retailers underpinning current strong domestic pricing levels, which are expected to persist in the short to medium-term
- Strong pricing and favourable competitive positioning for prawns in the short to medium-term due to the fragmented market and lack of supply growth for past 10 years

- **A more gradual growth in salmon supply over the short-term should allow us to optimise pricing to provide increasing salmon returns**

- Transition supply to more sales into the domestic market (i.e. better sales mix) with a focus also on more profitable product lines in domestic market (i.e. optimise pricing) – therefore expected to increase salmon returns
- Focus on optimisation of existing leases as well as cost reduction initiatives over short to medium-term
- Use of freezing capacity to balance sales mix between 1H and 2H

- **Ramp-up in prawn production volumes following redevelopment of existing pond infrastructure and appropriate stocking of Mission Beach, Yamba and Proserpine**

- Targeting FY20 prawn production of circa 2,400 tonnes
- Seasonality of prawn harvesting and sales skewed to 2H, due to broodstock catching and temperature profile of current farming sites

- **Further investment in both salmon and prawn operations will continue to underpin long-term growth**

- Total capital expenditure, including the acquisition of Exmoor Station, is expected to be \$156 million in FY20

On behalf of the Directors.



A. D. McCallum
Chairman



M. A. Ryan
Managing Director & Chief Executive Officer
Sydney, this 19th day of August 2019

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Directors' Report

The Directors present their report together with the Annual Financial Report of Tassal Group Limited (the Company) and the consolidated Annual Financial Report of the consolidated entity, being the Company and its controlled entities (the Group), for the year ended 30 June 2019.

1. DIRECTORS

At the date of this report, the Directors of the Company who held office at any time during or since the end of the financial year are:

Name:

Mr Allan McCallum
(Director since 7 October 2003)
(Chairman since 27 June 2005)

Mr Mark Ryan – Chief Executive Officer
(Director since 21 December 2005)

Mr Trevor Gerber
(Director since 4 April 2012)

Mr Christopher Leon
(Director since 31 October 2012)

Mr Michael Carroll
(Resigned 24 August 2018)

Mr John Watson
(Director since 19 March 2018)

Ms Georgina Lynch
(Appointed 27 November 2018)

Ms Jackie McArthur
(Appointed 27 November 2018)

2. PRINCIPAL ACTIVITIES

During the year the principal activities of the consolidated entity were the farming of Atlantic Salmon and Tiger Prawns and the processing and marketing of salmon, prawns and other seafood.

3. DIVIDENDS

Since the end of the 2018 financial year the following dividends have been paid or declared:

- a. On 24 August 2018, the Directors declared a final fully franked dividend of 8.00 cents per ordinary share amounting to \$14.105 million in respect of the financial year ended 30 June 2018. The record date for determining entitlements to this dividend was 11 September 2018. The final dividend was paid on 29 September 2018.
- b. On 14 February 2019 the Directors declared an interim 25% franked dividend of 9.00 cents per ordinary share amounting to \$15.953 million in respect of the half year ended 31 December 2018. The record date for determining entitlements to this dividend was 15 March 2019 with a payment date of 29 March 2019.

On 19 August 2019, the Directors declared a final 25% franked dividend of 9.00 cents per ordinary share amounting to \$16.061 million in respect of the financial year ended 30 June 2019. The record date for determining entitlements to this dividend is 11 September 2019. The final dividend will be paid on 30 September 2019.

The final dividend for the year ended 30 June 2019 has not been recognised in this Annual Financial Report because it was declared subsequent to 30 June 2019.

4. REVIEW OF OPERATIONS

The consolidated net profit after tax for the financial year was \$58.439 million. (For the financial year ended 30 June 2018: \$57.293 million).

The consolidated entity's revenue was \$551.819 million compared with \$474.072 million for the financial year to 30 June 2018.

Earnings before interest and tax (EBIT) was \$91.156 million compared with \$86.978 million for the financial year to 30 June 2018.

Cashflow from operating activities was significantly utilised to underpin the growth of livestock inventory and infrastructure investment which, in turn, will underpin future profitability.

Earnings per share (EPS) on a weighted average basis was 33.01 cents per share compared with 33.13 cents per share for the financial year to 30 June 2018.

Further details on review of operations and likely future developments are outlined in the Chairman's and CEO's Report on pages 2 – 8 of this Annual Report.

5. CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this Directors' Report or the Annual Report.

6. FUTURE DEVELOPMENTS

Likely developments in the consolidated entity's operations have been commented on in a general nature in the Annual Financial Report. In particular, reference should be made to the joint Chairman's and CEO's Report.

7. DIRECTORS, DIRECTORS' MEETINGS AND DIRECTORS' SHAREHOLDINGS

The names of the Directors who held office during the financial year and details of current Directors' qualifications, Directors' interests in the Company, experience and special responsibilities and directorships of other listed entities are set out in sections 16 and 17 of this Directors' Report.

Details of Directors' meetings and meetings of Committees of Directors including attendances are set out in section 18 of this Directors' Report.

8. EVENTS SUBSEQUENT TO BALANCE DATE

Dividend declared after year end (refer to section 3 of Directors Report and also to note 2 to the financial statement).

9. INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the Company Secretary, and all officers of the Company against a liability incurred as such a Director, Secretary or officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors' Report (continued)

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

10. ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to Commonwealth and State regulations governing marine and hatchery operations, processing, land tenure and use, environmental requirements, including site specific environmental licences, permits, and statutory authorisations, workplace health and safety and trade and export.

The consolidated entity's management regularly and routinely monitor compliance with the relevant environmental regulations and compliance is regularly reported to the Board.

The consolidated entity has well established procedures to monitor and manage compliance with existing environmental regulations and new regulations as they come into force.

The consolidated entity employs a Head of Sustainability whose role is to ensure compliance with the regulatory framework and implement processes of continuous improvement with respect to environmental management.

Further details with respect to the consolidated entity's sustainability credentials and environmental management policies are outlined in the Chairman's and CEO's Report on pages 2 – 8 of the Annual Report.

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

11. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of good corporate governance.

The consolidated entity's statement on the main corporate governance practices in place during the year is set out on the Company's website at <http://www.tassalgroup.com.au/governance-policies/>

The Chief Executive Officer and Chief Financial Officer have declared, in writing to the Board, that the Company's Annual Report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

The Company's Head of Risk has also provided a letter of assurance confirming that:

- the Company's risk management system is supported by a well-structured framework and policy, which is established based on the guidelines from AS/NZS ISO 31000:2009 Risk Management and ASX Corporate Governance Principles and Recommendations;
- appropriate and adequate risk management and control monitoring and reporting mechanisms are in place; and
- the Company's risk management and internal compliance and risk related control systems are operating efficiently and effectively in all material respects.

12. AUDITOR'S INDEPENDENCE DECLARATION

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

The auditor's independence declaration made under section 307C of the *Corporations Act 2001* is set out on page 27 and forms part of this Directors' Report.

13. NON-AUDIT SERVICES

During the year Deloitte Touche Tohmatsu, the Company's auditor, has performed certain "non-audit services" for the consolidated entity in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice endorsed by unanimous resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- a. Non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- b. The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

Details of the amounts paid to Deloitte Touche Tohmatsu for audit and non-audit services provided during the year are set out in note 6 to the financial statements.

14. 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*.

15. SHARE OPTIONS AND PERFORMANCE RIGHTS

There were no options granted to Directors or any of the Senior Executives during or since the end of the financial year.

No options were exercised during or since the end of the financial year.

During the year 420,716 (2018: 341,146) performance rights were granted to the Chief Executive Officer and other members of the Company's Executive Group pursuant to the Company's Long-term Incentive Plan.

96,148 (2018: Nil) performance rights vested on 30 June 2019.

Refer to section 20 (g) (ii) of the Directors' Report for further details.

16. INFORMATION ON DIRECTORS

Director	Qualifications and experience	Special responsibilities	Particulars of Directors' interests in ordinary shares, options and performance rights over ordinary shares in the Company
ALLAN McCALLUM (Chairman) Dip. Ag Science, FAICD	Allan is Chairman of Cann Group Limited. Allan is a member of the Rabobank Advisory Board. Allan is a former Chairman of Vicgrain Limited and CRF Group Ltd and Deputy Chairman of Graincorp Limited. He was also a Non-Executive Director of Incitec Pivot Limited and Medical Developments International Limited. Allan has extensive experience in the agribusiness sector across production, processing, logistics and marketing.	Chairman of the Board of Directors Independent Non-executive Director Chairman of the Remuneration and Nominations Committee (From 27/08/18 until 05/12/18) Chairman of the Nominations Committee (From 05/12/18)	346,799 Ordinary Shares
TREVOR GERBER B.Acc, CA(SA)	Trevor has extensive board experience spanning property, funds management, tourism, infrastructure and aquaculture. He currently holds directorships at CIMIC Group, Vicinity Shopping Centres, and is Chairman of Sydney Airport Holdings. Prior to becoming a professional director in 2000, Trevor was an executive at Westfield Holdings Limited for 14 years during which time he held senior executive positions including Group Treasurer and Director of Funds Management responsible for the Westfield Trust and Westfield America Trust.	Independent Non-executive Director Member of the Audit and Risk Committee Member of the Remuneration and Nominations Committee (Until 05/12/18) Chair of the Remuneration Committee (as from 05/12/18)	15,000 Ordinary Shares
CHRISTOPHER (CHRIS) LEON BscEng, MEngSci, FAICD	Chris is a past CEO/MD of Cement Australia and Pivot Ltd, York International Australia Pty Ltd and Thai Industrial Gases PLC. He is a former director of Queensland Sugar Limited and Chairman of Sun Engineering (Qld) Pty Ltd. Chris is a seasoned Director with 2 decades of experience as a Board member of private, public unlisted and public listed companies. He has a wide range of experience in Agribusiness, Logistics, Manufacturing and Mining. He is currently Chairman of International House, Mulgowie Fresh Pty Ltd and a member of Neumann Group Companies including Nucrush Pty Ltd, Nucon Pty Ltd and Riversands Pty Ltd. He is a Non-Executive Director of Southern Cross Cement Pty Ltd.	Independent Non-executive Director Member of the Audit and Risk Committee (From 24/08/18 to 05/12/18) Member of the Remuneration and Nominations Committee (Until 05/12/18) Member of the Remuneration Committee (as from 05/12/18)	37,292 Ordinary Shares
MICHAEL CARROLL BAgSc, MBA, FAICD (Resigned 24 August 2018)	Michael has worked for a range of food and agricultural businesses in a board, advisory and executive capacity. He is a director of Rural Funds Management Ltd (as responsible entity for Rural Funds Group), Select Harvests Limited, Paraway Pastoral Company, Rural Funds Poultry and Chairman of Viridis Ag Pty Ltd, Sunny Queen Pty Ltd and the Australian Rural Leadership Foundation. Former board positions include Queensland Sugar Ltd, Rural Finance Corporation, the Gardiner Dairy Foundation Ltd, Warrnambool Cheese and Butter, the Australian Farm Institute and Meat & Livestock Australia. Executive experience includes establishing and leading National Australia Bank's Agribusiness division, a senior role in NAB's Investments and Advisory unit and marketing roles with international animal health and crop care companies.	Independent Non-executive Director Member of the Audit and Risk Committee Chairman of the Remuneration and Nominations Committee (Until 24/8/18)	24,263 Ordinary Shares

Directors' Report (continued)

<p>MARK RYAN (Managing Director and Chief Executive Officer) B.Com, CA, MAICD, FAIM</p>	<p>Mark is the Managing Director and Chief Executive Officer of Tassal Group Limited, a position that he has held since November 2003. Mark holds a Bachelor of Commerce from the University of Tasmania, is a Chartered Accountant, a fellow of Australia Institute of Management and a Member of Australian Institute of Company Directors. Mark holds Board positions with the Tasmanian Development Board, Salmon Enterprises of Tasmania Pty Ltd (Industry hatchery) and Seafood Industry Australia.</p> <p>Mark has extensive experience in the finance and turnaround management sector, with experience gained through PricewaterhouseCoopers, Arthur Andersen and KordaMentha. Mark was previously a partner with KordaMentha.</p>	<p>Managing Director and Chief Executive Officer</p>	<p>160,378 Ordinary Shares 183,665 Performance Rights</p>
<p>JOHN WATSON AM</p>	<p>John has returned to the Tassal Board as from March 2018 having previously served as a non-executive director from October 2003 to October 2015. John has had extensive experience in the food production and processing industries as a producer and Non-executive Director. In his time as a Non-executive Director, John has been on many boards of listed and unlisted companies in Australia and New Zealand and has served on numerous advisory boards to State and Commonwealth governments. John was a Non-executive Director and Chairman of Incitec Pivot Limited from December 1997 to 30 June 2012. John was also Governor of the Van Dieman's Land Company (now VDL Farms) from 2008 to 2011 and was on the Board of the Numurkah District Health Service from 2015 to 2018.</p>	<p>Independent Non-executive Director</p> <p>Member of the Remuneration and Nominations Committee (Until 05/12/18)</p> <p>Chair of the Audit and Risk Committee (as from 19/03/17)</p> <p>Member of the Remuneration and Nominations Committee (as of 26/03/18)</p> <p>Member of the Nominations Committee (as from 5 December 2018)</p>	<p>116,924 Ordinary Shares</p>
<p>JACKIE MCARTHUR B. Eng (Aero) (Appointed 27 November 2018)</p>	<p>Ms McArthur has more than 20 years' experience at executive level roles in supply chain and logistics, as well as in operations, transport, food and packaging manufacturing, emerging brand issues and crisis management, risk management, corporate social responsibility, compliance, governance and information technology. Most recently she was Managing Director, Australia and New Zealand, of Martin-Brower ANZ, the exclusive distributor to McDonald's restaurants across Australia and New Zealand. Previously, for more than thirteen years, she held various senior executive positions with McDonalds, both in Australia and overseas, including Vice President of Supply Chain for Asia, Pacific, Middle East and Africa and, in McDonalds Australia, as Senior Vice President Chief Restaurant Support Officer and Vice President Supply Chain Director.</p> <p>Ms McArthur was the 2016 Telstra NSW Business Woman of the Year and overall 2016 Telstra Business Women's Awards - Corporate and Private National Winner. She has completed the INSEAD International Executive Program, has a Bachelor of Engineering from the University of Sydney and is a member of the Australian Institute of Company Directors. Ms McArthur is also a Non-Executive Director of Invocare and Ingham's. She was also a non-executive director of Blackmores Limited until August this year.</p>	<p>Independent Non-executive Director</p> <p>Member of the Audit and Risk Committee (As from 05/12/18)</p> <p>Member of the Nominations Committee (as of 05/12/18)</p>	<p>23,784 Ordinary Shares</p>

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GEORGINA LYNCH BA Lib (Appointed 27 November 2018)	Georgina has over 25 years' experience in the financial services and property industry. She has held senior roles at AMP Capital Investors, Galileo Funds Management and Stockland. More recently, Georgina has taken on a number of non-executive directorships, including Chairman of Cbus Property and independent non-executive director of ASX-listed Viva Energy REIT and Investec Property Group. Georgina brings significant global experience in corporate transactions, capital raisings, initial public offerings, funds management, corporate strategy and acquisitions and divestments to the board.	Independent Non-executive Director Member of the Audit and Risk Committee (As of 05/12/18) Member of the Remuneration Committee (As of 05/12/18)	25,000 Ordinary Shares
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The particulars of Directors' interests in ordinary shares, options and performance rights over ordinary shares disclosed above are as at the date of this Directors' Report and as notified by Directors to Australian Stock Exchange Limited in accordance with the S205G(1) of the *Corporations Act 2001*.

17. DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by the Directors in the three years immediately before the end of the financial year are as follows:

Director	Company	Period of Directorship (last 3 years)
A. McCallum	Medical Developments International Limited	Until 17 December 2018
	Cann Group Limited	As from 4 May 2017
T. Gerber	Sydney Airport Holdings Limited	Throughout
	Vicinity Shopping Centres	As from April 2014
	CIMIC Group	As from 11 June 2014
	Regis Healthcare	As from October 2014 until November 2017
M. Ryan	-	None held
C. Leon	-	None Held
M. Carroll (Resigned 24 August 2018)	Rural Funds Group (Director of Rural Funds Management, the responsible entity for Rural Funds Group)	Throughout
	Select Harvests Limited	Throughout
	Rural Funds Poultry (NSX)	As from 15 April 2010
J. Watson (Appointed 19 March 2018)	-	None held
J. McArthur (Appointed 27 November 2018)	Inghams Group Limited	As from September 2017
	Blackmores Limited	As from April 2018 to 6 August 2019
	Invocare Limited	As from October 2018
G. Lynch (Appointed 27 November 2018)	Viva Energy REIT	As from 1 June 2016
	Investec Property Group	As from 1 July 2019

Directors' Report (continued)

18. 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). During the financial year, 13 Board meetings, 2 Remuneration and Nominations Committee meetings, 6 Audit and Risk Committee meetings, 1 Remuneration Committee Meeting and 2 Nominations Committee meetings were held.

Director	Board of Directors meetings		Audit and Risk Committee meetings		Remuneration and Nominations Committee meetings **		Remuneration Committee meetings (as from 05/12/18)		Nominations Committee meetings (as from 05/12/18)	
	Number held	Number attended	Number held	Number attended	Number held	Number attended	Number held	Number attended	Number held	Number attended
T. Gerber	13	13	*	*	2	2	*	*	2	2
A. McCallum	13	13	6	6	2	2	1	1	*	*
M. Ryan	13	13	*	*	*	*	*	*	*	*
C. Leon	13	13	1	1	2	2	1	1	*	*
M. Carroll (Resigned 24/08/18)	2	2	1	1	*	*	*	*	*	*
J. Watson	13	13	6	6	2	2	*	*	2	2
J. McArthur (Appointed 27/11/18)	7	7	3	3	*	*	*	*	2	2
G. Lynch (Appointed 27/11/18)	7	7	3	3	*	*	1	1	*	*

(* not a committee member ** The Remuneration and Nominations Committee was split into two (2) Committees namely the Remuneration Committee and the Nominations Committee effective as of 5 December 2018)

19. COMPANY SECRETARY

Monika Sylvia Maedler BEc, LLB, FCIS. Ms Maedler is a senior legal executive with experience across a number of organisations including Kodak (Australasia) Pty Ltd, Philip Morris Ltd, SPC Ardmona Ltd and Adecco Group Australia and New Zealand.

20. REMUNERATION REPORT - AUDITED

(a) Introduction

This Remuneration Report outlines the Company's overall reward strategy for the year ended 30 June 2019 and provides detailed information on the remuneration arrangements in this period for the Directors of the Company including the Managing Director and Chief Executive Officer and other Key Management Personnel. Key Management Personnel have the authority and responsibility for planning, directing and controlling the activities of the Company for the year ended 30 June 2019.

The Remuneration Report forms part of the Directors' Report and has been prepared in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Tassal's Remuneration Policy may be amended from time to time and is reviewed at least once a year. This may result in changes being made to the Policy for the year ending 30 June 2020.

(b) Remuneration Philosophy

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to Directors, the Managing Director and Chief Executive Officer and the Senior Executives.

The primary objectives of the Remuneration Policy are to provide a competitive, flexible and benchmarked structure that reflects market best practice, is tailored to the specific circumstances of the Company and which reflects the person's duties and responsibilities so as to attract, motivate and retain people of the appropriate quality.

Remuneration levels are competitively set to attract appropriately qualified and experienced Directors and executives. The Remuneration Committee obtains market data on remuneration quantum. The remuneration packages of the Managing Director and Chief Executive Officer and Senior Executives may include a short-term incentive component that is linked to the overall financial and operational performance of the Company and based on the achievement of specific Company and individual / team goals. The Managing Director and Chief Executive Officer and the Senior Executives may also be invited to participate in the Company's Long-term Incentive Plan (**LTI Plan**). The long-term benefits of the LTI Plan are conditional upon the Company achieving certain performance criteria, details of which are outlined below.

(c) Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director remuneration is separate and distinct from executive remuneration.

(d) Relationship Between the Remuneration Policy and Company Performance

The Consolidated entity's key operations performance indicators in the financial year ended 30 June 2019 and the previous four financial years are summarised below.

	30-June 2019 \$'000	30-June 2018 \$'000	30-June 2017 \$'000	30-June 2016 \$'000	30-June 2015 \$'000
Revenue (from all sources)	\$560,788	\$484,535	\$450,453	\$430,924	\$309,790
Net profit before tax	\$81,989	\$79,316	\$85,556	\$68,910	\$70,875
Net profit after tax	\$58,439	\$57,293	\$58,083	\$48,493	\$49,992
	30-June 2019	30-June 2018	30-June 2017	30-June 2016	30-June 2015
Share price:					
Share price at the start of the year	\$4.13	\$3.81	\$3.98	\$3.33	\$3.86
Share price at the end of the year	\$4.90	\$4.13	\$3.81	\$3.98	\$3.33
Dividend per share:					
Interim dividend	\$0.0900	\$0.0800	\$0.0750	\$0.0750	\$0.0700
Final dividend	\$0.0900	\$0.0800	\$0.0750	\$0.0750	\$0.0700
	\$0.1800	\$0.1600	\$0.1500	\$0.1500	\$0.1400
Earnings per share:					
Basic	\$0.3301	\$0.3313	\$0.3728	\$0.3295	\$0.3405
Diluted	\$0.3288	\$0.3301	\$0.3714	\$0.3278	\$0.3383

The consolidated entity ultimately assesses its performance from increases in earnings and shareholder value. The performance measures for both the Company's Short-term Incentive Plan (**STI Plan**) and LTI Plan have been tailored to align at-risk remuneration and performance hurdle thresholds to the delivery of financial and operational objectives and sustained shareholder value growth.

Over the past 5 years the consolidated entity has achieved the following compound annual growth rates:

- Revenue (from all sources) - 16.06%
- Net profit after tax - 7.31%
- Basic earnings per share - 3.32%

(e) Components of Compensation – Non-executive Directors

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. Currently, the aggregate remuneration threshold is set at \$1,200,000 per annum as approved by shareholders at the AGM on 31 October 2018. Legislated superannuation contributions made in respect of non-executive Directors are included in determining this shareholder approved maximum aggregate annual pool limit.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board reviews its fees to ensure the Company's non-executive Directors are fairly remunerated for their services, recognising the level of skill and experience required to fulfill the role, and to have in place a fee scale which enables the Company to attract and retain talented non-executive Directors. In conducting a review, the Board may take advice from an external independent remuneration consultant. The process involves benchmarking against a group of peer companies.

Non-executive Directors receive a cash fee for service and have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes. This policy reflects the differences in the role of the non-executive Directors, which is to provide oversight and guide strategy, and the role of management, which is to operate the business and execute the Company's strategy. Non-executive Directors are not subject to a minimum shareholding requirement, but are encouraged to acquire a number of shares whose value is at least equal to their annual fees as a Director of the Company.

Each non-executive Director receives a fee for being a Director of the Company. An additional fee is also paid for being a member of the Board's Remuneration Committee, Nominations Committee and Audit and Risk Committee. The Remuneration and Nominations Committee was split into two separate committees on 5 December 2018. The payment of an additional fee recognises the additional time commitment required by Directors who serve on those committees.

Directors' Report (continued)

Fees payable to the non-executive Directors of the Company for the 2019 financial year (inclusive of legislated superannuation contributions) were as follows:

Per annum	Base	Remuneration Committee	Nominations Committee	Audit and Risk Committee
Chairman of the Board	\$233,398	N/A	N/A	N/A
Each other non-executive Director	\$111,395	\$10,300	\$10,300	\$10,300

The Chair of the Audit and Risk Committee received an additional \$10,300 for chairing that Committee

The Chair of the Remuneration Committee received an additional \$5,150 for chairing that Committee

There is no separate fee for the Chair of the Nomination Committee as the chair of that committee is Chair of the Board

(f) Components of Compensation – Chief Executive Officer and Other Senior Executives

(i) Structure

The Company aims to reward the Chief Executive Officer and Senior Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, so as to:

- reward them for Company, business unit and individual performance against targets set by reference to appropriate benchmarks and key performance indicators;
- align their interests with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Remuneration consists of both fixed and variable remuneration components. The variable remuneration component consists of the STI Plan and the LTI Plan.

The proportion of fixed remuneration and variable remuneration (potential short-term and long-term incentives) is established for the Chief Executive Officer by the Board and for each Senior Executive by the Board following recommendations from the Chief Executive Officer and the Remuneration Committee.

The Chief Executive Officer's and Senior Executives' remuneration packages are all respectively subject to Board approval.

(ii) Fixed annual remuneration

Remuneration levels are reviewed annually to ensure that they are appropriate for the responsibility, qualifications and experience of the Chief Executive Officer and each Senior Executive and are competitive with the market.

The Chief Executive Officer and Senior Executives have the option to receive their fixed annual remuneration in cash and a limited range of prescribed fringe benefits such as a motor vehicle and car parking. The total employment cost of any remuneration package, including fringe benefits tax, is taken into account in determining an employee's fixed annual remuneration.

(iii) Variable remuneration – STI Plan

The objective of the STI Plan is to link the achievement of the annual operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets such that the cost to the Company is reasonable in the circumstances.

Actual STI payments granted to the Chief Executive Officer and each Senior Executive depend on the extent to which specific operational targets, set at the beginning of the year, are met. The operational targets may include a weighted combination of:

- meeting a pre-determined growth target in consolidated entity net profit after tax over the prior year;
- meeting strategic objectives; and
- assessed personal effort and contribution.

The Remuneration Committee considers the performance against targets, and determines the amount, if any, to be allocated to the Chief Executive Officer and each Senior Executive. STI payments are delivered as a cash bonus.

The target STI % range for the Chief Executive Officer and other Key Management Personnel in respect of the financial year ended 30 June 2019 is detailed below.

Executive	STI range calculated on fixed annual remuneration*
M. Ryan	30% - 60%
A. Creswell	15% - 30%
M. Asman	15% - 30%
D. Williams	15% - 30%
K. Little	15% - 30%
B. Daley	15% - 30%

* Fixed annual remuneration is comprised of base salary, superannuation and benefits provided through salary sacrificing arrangements

Tassal's STI for FY2019 was directly linked to the Company's operating net profit after tax (NPAT) performance on the following basis:

30 June 2019		30 June 2018	
NPAT (i) Threshold \$'000	% of STI Triggered %	NPAT (i) Threshold \$'000	% of STI Triggered %
<\$53,968	Nil	<\$48,912	Nil
\$53,968	50%	\$48,912	50%
\$53,968 - \$59,649	50% - 100%	\$48,912 - \$54,060	50% - 100%
>\$59,649	100%	>\$54,060	100%

(i) (Derivation of NPAT for the purposes of calculating the STI payment is determined excluding the impact of applying AASB 141 'Agriculture').

The Chief Executive Officer and Senior Executives received 89.18% (2018: 78.05%) of their respective FY2019 maximum STI entitlements.

The Board considers the FY2019 NPAT thresholds represented significant and challenging targets having regard to the business conditions faced by the Company in FY2019.

(iv) Variable remuneration – LTI Plan

The LTI Plan has been designed to link employee reward with key performance indicators that drive sustainable growth in shareholder value over the long term. The objectives of the LTI Plan are to:

- align the Chief Executive Officer's and Senior Executives' interests with those of shareholders;
- help provide a long term focus; and
- retain high calibre senior employees by providing an attractive equity-based incentive that builds an ownership of the Company mindset.

Under the LTI Plan, the Chief Executive Officer and Senior Executives are granted performance rights which will only vest on the achievement of certain performance hurdles and service conditions. An offer may be made under the LTI Plan to the Chief Executive Officer and Senior Executives each financial year and is based on individual performance as assessed by the annual appraisal process. If a Senior Executive does not sustain a consistent level of high performance they will not be nominated for LTI Plan participation. The Remuneration Committee reviews all nominated Senior Executives, with participation subject to final Board approval. In accordance with the ASX Listing Rules approval from shareholders is obtained before participation in the LTI Plan commences for the Chief Executive Officer.

Each grant of performance rights is subject to specific performance hurdles. The extent to which the performance hurdles have been met will be assessed by the Board at the expiry of a three year performance period.

The Board has retained the discretion to vary the performance hurdles and criteria for each offer under the LTI Plan. Once the Board has prescribed the performance hurdles for a specific offer under the LTI Plan, those performance hurdles cannot be varied in respect of that offer.

If a change of control occurs during a performance period, the pro-rated number of performance rights held by a participant (calculated according to the part of the performance period elapsed prior to the change of control) is determined and to the extent the performance hurdles have been met those pro-rated performance rights will vest.

Performance rights granted for the financial year ended 30 June 2019:

The performance hurdles for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ended 30 June 2019 are based on the Company's Earnings per Share (EPS) growth over the performance period of the three years from 30 June 2018 (being the Base Year) to 30 June 2021 (the Performance Period), and on the Company's Return on Assets (ROA) performance for the financial year ended 30 June 2021. Each performance condition is summarised as follows:

Earnings Per Share Hurdle (EPS) (Applies to 50% of performance rights granted in the financial year ended 30 June 2019).

"EPS" means earnings per share for a financial year which is calculated as operating reported net profit after tax divided by the weighted average number of Shares on issue in the Company in respect of that financial year.

The EPS hurdle requires that the Company's EPS growth over the Performance Period must be greater than the target set by the Board. The EPS target growth rate is linked to the Company's Strategic Plan. The EPS hurdle was chosen as it provides evidence of the Company's growth in earnings. The hurdle is as follows:

- if the compound average annual EPS growth rate over the Performance Period compared to the Base Year is less than 7.5% no performance rights will vest;
- if the compound average annual EPS growth rate over the Performance Period compared to the Base Year is equal to 7.5% but less than 12.5%, the portion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the compound average annual EPS growth over the Performance Period compared to the Base Year is equal to or greater than 12.5%, all of the performance rights granted (and attached to this hurdle) will vest.

Return on Assets (ROA) (Applies to 50% of performance rights granted in the financial year ended 30 June 2019).

"ROA" means Return on Assets for a financial year which is calculated as operating earnings before interest and tax (EBIT) divided by average total assets in respect of that financial year.

The ROA hurdle requires that the Company's ROA for the financial year ending 30 June 2021 must be greater than the target set by the Board. The ROA target is linked to the Company's Strategic Plan. The ROA hurdle was chosen as it provides evidence of the Company's ability to deliver growth in earnings through efficient use of the available asset base. The hurdle is as follows:

- if the Company's ROA for the financial year ending 30 June 2021 is less than 8% no performance rights will vest;

Directors' Report (continued)

- if the Company's ROA for the financial year ending 30 June 2021 is equal to or greater than 8% but less than 14%, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the Company's ROA for the financial year ending 30 June 2021 is equal to or greater than 14%, all of the performance rights (and attached to this hurdle) will vest.

The Board considers that the selection and structuring of both EPS and ROA performance hurdles provides a suitably balanced approach to creating long term shareholder value whilst ensuring that rewards reflect sustainable performance results.

The performance hurdles have been aligned with the performance expectations underlying the delivery of the Company's Strategic Plan.

The minimum and maximum percentage of the Chief Executive Officer and other Key Management Personnel's fixed annual remuneration applicable to performance rights granted during the financial year ending 30 June 2019 is detailed below.

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	12.5% - 50%
A. Creswell	7.5% - 30%
M. Asman	7.5% - 30%
D. Williams	7.5% - 30%
K. Little	7.5% - 30%
B. Daley	7.5% - 30%

* Fixed annual remuneration is comprised of base salary, superannuation and benefits provided through salary sacrificing arrangements

Performance rights granted during the financial year ended 30 June 2018:

The performance hurdle for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ended 30 June 2018 is based on the Company's EPS and ROA growth over the performance period of the three years from 30 June 2017 (being the **Base Year**) to 30 June 2020 (the **Performance Period**) and are summarised as follows.

Earnings Per Share Hurdle (EPS) (Applies to 50% of performance rights granted in the financial year ended 30 June 2018).

"EPS" means earnings per share for a financial year which is calculated as operating reported net profit after tax divided by the weighted average number of Shares on issue in the Company in respect of that financial year.

The EPS hurdle requires that the Company's EPS growth over the Performance Period must be greater than the target set by the Board. The EPS target growth rate is linked to the Company's Strategic Plan. The EPS hurdle was chosen as it provides evidence of the Company's growth in earnings. The hurdle is as follows:

- if the compound average annual EPS growth rate over the Performance Period compared to the Base Year is less than 5% no performance rights will vest;
- if the compound average annual EPS growth rate over the Performance Period compared to the Base Year is equal to 5% but less than 15%, the portion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the compound average annual EPS growth over the Performance Period compared to the Base Year is equal to or greater than 15%, all of the performance rights granted (and attached to this hurdle) will vest.

Return on Assets (ROA) (Applies to 50% of performance rights granted in the financial year ended 30 June 2018).

"ROA" means Return on Assets for a financial year which is calculated as operating earnings before interest and tax (EBIT) divided by average total assets in respect of that financial year.

The ROA hurdle requires that the Company's ROA for the financial year ending 30 June 2020 must be greater than the target set by the Board. The ROA target is linked to the Company's Strategic Plan. The ROA hurdle was chosen as it provides evidence of the Company's ability to deliver growth in earnings through efficient use of the available asset base. The hurdle is as follows:

- if the Company's ROA for the financial year ending 30 June 2020 is less than 8% no performance rights will vest;
- if the Company's ROA for the financial year ending 30 June 2020 is equal to or greater than 8% but less than 14%, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the Company's ROA for the financial year ending 30 June 2020 is equal to or greater than 14%, all of the performance rights (and attached to this hurdle) will vest.

The Board considers that the selection and structuring of both EPS and ROA performance hurdles provides a suitably balanced approach to creating long term shareholder value whilst ensuring that rewards reflect sustainable performance results.

The performance hurdles have been aligned with the performance expectations underlying the delivery of the Company's Strategic Plan.

The minimum and maximum percentage of the Chief Executive Officer and other Key Management Personnel's fixed annual remuneration applicable to performance rights granted during the financial year ending 30 June 2018 is detailed below.

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	12.5% - 50%
A. Creswell	7.5% - 30%
M. Asman	7.5% - 30%
D. Williams	7.5% - 30%
K. Little	7.5% - 30%
B. Daley	7.5% - 30%

* Fixed annual remuneration is comprised of base salary, superannuation and benefits provided through salary sacrificing arrangements.

Performance rights to be granted for the financial year ending 30 June 2020:

Since the end of the financial year, the Board has approved the following LTI Plan dual performance hurdle structure for performance rights to be granted during the financial year ending 30 June 2020.

The performance hurdles for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ending 30 June 2020 will be based on the Company's EPS (Earnings per Share) growth over the performance period of the three years from 30 June 2019 (being the Base Year) to 30 June 2022 (the Performance Period), and on the Company's ROA (Return on Assets) performance for the financial year ending 30 June 2022. Each performance condition is summarised as follows:

Earnings Per Share Hurdle (EPS) (Applies to 50% of performance rights granted in the financial year ending 30 June 2020).

"EPS" means earnings per share for a financial year which is calculated as operating net profit after tax divided by the weighted average number of Shares on issue in the Company in respect of that financial year.

The EPS hurdle requires that the Company's EPS growth over the Performance Period must be greater than the target set by the Board. The EPS target growth rate is linked to the Company's Strategic Plan. The EPS hurdle was chosen as it provides evidence of the Company's growth in earnings. The hurdle is as follows:

- if the compound average annual EPS growth rate over the Performance Period compared to the Base Year is less than 7.5% no performance rights will vest;
- if the compound average annual EPS growth rate over the Performance Period compared to the Base Year is equal to 7.5% but less than 12.5%, the portion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or

- if the compound average annual EPS growth over the Performance Period compared to the Base Year is equal or greater than 12.5%, all of the performance rights granted (and attached to this hurdle) will vest.

Return on Assets (ROA) (Applies to 50% of performance rights granted in the financial year ending 30 June 2020).

"ROA" means Return on Assets for a financial year which is calculated as operating earnings before interest and tax (EBIT) divided by average total assets in respect of that financial year.

The ROA hurdle requires that the Company's ROA for the financial year ending 30 June 2022 must be greater than the target set by the Board. The ROA target is linked to the Company's Strategic Plan. The ROA hurdle was chosen as it provides evidence of the Company's ability to deliver growth in earnings through efficient use of the available asset base. The hurdle is as follows:

- if the Company's ROA for the financial year ending 30 June 2022 is less than 9% no performance rights will vest;
- if the Company's ROA for the financial year ending 30 June 2022 is equal to 9% but less than 11%, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the Company's ROA for the financial year ending 30 June 2022 is equal to or greater than 11%, all of the performance rights (and attached to this hurdle) will vest.

The Board considers that the selection and structuring of both EPS and ROA performance hurdles provides a suitably balanced approach to creating long term shareholder value whilst ensuring that rewards reflect sustainable performance results.

The performance hurdles have been aligned with the performance expectations underlying the delivery of the Company's Strategic Plan.

The minimum and maximum percentage of the Chief Executive Officer and other Key Management Personnel's fixed annual remuneration applicable to performance rights to be granted during the financial year ending 30 June 2020 is detailed below.

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	12.5% - 50%
M. Asman	7.5% - 30%
A. Creswell	7.5% - 30%
D. Williams	7.5% - 30%
K. Little	7.5% - 30%
B. Daley	7.5% - 30%

* Fixed annual remuneration is comprised of base salary, superannuation and benefits provided through salary sacrificing arrangements.

Directors' Report (continued)

(v) Contract for services – Chief Executive Officer

The structure of the Chief Executive Officer's compensation is in accordance with his employment agreement. The Chief Executive Officer's employment agreement is for an indefinite term. The Company may terminate the agreement by providing six months' notice and the Chief Executive Officer may terminate the agreement by providing six months' notice to the Company. There are no termination benefits beyond statutory leave and superannuation obligations associated with the Chief Executive Officer's termination in accordance with these notice requirements or in circumstances where notice is not required pursuant to his employment agreement.

(vi) Contract for services – Senior Executives

The terms on which the majority of Senior Executives are engaged provide for termination by either the Executive or the Company on six months' notice. There are no termination benefits beyond statutory leave and superannuation obligations associated with these notice requirements.

(g) Key Management Personnel Compensation

(i) Identity of Key Management Personnel

The following were Key Management Personnel of the consolidated entity at any time during the financial year and unless otherwise indicated were Key Management Personnel for the entire period.

Directors:

Name	Title
A. McCallum	Chairman, Non-executive Director
M. Ryan	Chief Executive Officer and Managing Director
T. Gerber	Non-executive Director
C. Leon	Non-executive Director
M. Carroll	Non-executive Director (resigned 24 August 2018)
G. Lynch	Non-executive Director (appointed 27 November 2018)
J. McArthur	Non-executive Director (appointed 27 November 2018)
J. Watson	Non-executive Director

Other Key Management Personnel:

Name	Title
A. Creswell	Chief Financial Officer
M. Asman	Head of Aquaculture
D. Williams	Head of Sales and Marketing
K. Little	Head of People and Communities (appointed 29 April 2019)
B. Daley	Head of Supply Chain and Commercial Services

(ii) Compensation of Key Management Personnel

Details of the nature and amount of each major element of the remuneration of each Key Management Personnel of the Company and the consolidated entity are set out below. The remuneration tables are calculated on an accrual basis.

		Short-term employment benefits			Post employment		Share-based Payment	Other	Total
		Salary & Fees ¹	Bonus ²	Non-Monetary ³	Super-annuation	Prescribed Benefits	Performance Rights ⁴	Termination Benefits ⁵	
		\$	\$	\$	\$	\$	\$	\$	
Directors:									
M. Carroll	2019	20,472	-	-	1,945	-	-	-	22,416
Resigned 24.08.18	2018	125,439	-	-	11,917	-	-	-	137,356
T. Gerber	2019	122,952	-	-	11,680	-	-	-	134,633
	2018	116,851	-	-	11,101	-	-	-	127,952
C. Leon	2019	115,600	-	-	10,982	-	-	-	126,582
	2018	122,830	-	-	11,669	-	-	-	134,498
G. Lynch	2019	70,964	-	-	6,742	-	-	-	77,706
Appointed 27.11.18	2018	-	-	-	-	-	-	-	-
J. McArthur	2019	70,964	-	-	6,742	-	-	-	77,706
Appointed 27.11.18	2018	-	-	-	-	-	-	-	-
R. Murphy	2019	-	-	-	-	-	-	-	-
Resigned 19.03.18	2018	83,863	-	-	7,967	-	-	-	91,830
A. McCallum (Chairman)	2019	212,716	-	-	20,201	-	-	-	232,917
	2018	206,457	-	-	19,613	-	-	-	226,070
M. Ryan - Chief Executive Officer	2019	718,881	408,726	4,846	20,588	-	58,192	-	1,211,234
	2018	761,632	347,285	1,248	20,118	-	131,605	-	1,261,888
J. Watson	2019	129,848	-	-	12,316	-	-	-	142,164
Appointed 19.03.18	2018	35,871	-	-	3,408	-	-	-	39,279
Other Key Management Personnel:									
M. Asman *	2019	313,709	90,260	1,278	27,634	-	15,421	-	448,302
	2018	298,494	70,038	1,248	33,438	-	34,875	-	438,094
A. Creswell *	2019	320,983	90,260	1,278	24,697	-	15,421	-	452,639
	2018	314,552	70,038	1,248	22,982	-	34,875	-	443,695
B. Daley *	2019	308,870	90,260	11,646	26,081	-	18,610	-	455,467
	2018	287,861	70,038	11,616	33,398	-	32,856	-	435,768
K. Little *	2019	270,363	85,614	6,477	22,236	-	12,124	-	396,813
Appointed 29.04.19	2018	-	-	-	-	-	-	-	-
D. Williams *	2019	321,836	90,260	12,347	25,091	-	15,421	-	464,954
	2018	286,395	70,038	12,286	34,065	-	34,875	-	437,658
Total	2019	2,998,157	855,382	37,872	216,933	-	135,188	-	4,243,532
Total	2018	2,640,244	627,437	27,646	209,675	-	269,086	-	3,774,088

*Designated Key Management Personnel

(The elements of the remuneration packages in the above table have been determined on the basis of the cost to the consolidated entity and reflect the relevant respective periods of service).

- Salary and fees includes salary and leave on an accruals basis.
- Cash bonuses relate to sign on bonuses, performance bonuses and amounts payable pursuant to the STI Plan. The Chief Executive Officer and other Executive Officers received 89.18% (2018: 78.05%) of their respective STI maximum entitlement based on the STI percentages disclosed in section f (iii) of the Remuneration Report.
- Non-monetary benefits include sundry benefits relating to Fringe Benefits Tax.
- Performance rights valuation has been determined in line with the requirements of AASB 2 'Share-based Payments'. AASB 2 requires the measurement of the fair value of the performance rights at the grant date and then to have that value apportioned in equal amounts over the period from grant date to vesting date. A value has been placed on performance rights using a Monte Carlo simulation model. Details of performance rights on issue are set out in the following tables.
- Termination benefits include notice or redundancy payments where applicable.

Directors' Report (continued)

Non-Statutory remuneration

The statutory format in which Companies are required to present remuneration data may make it difficult for shareholders to understand the total remuneration actually earned by Key Management Personnel from the various components of their remuneration. In particular, the Australian Accounting Standards require the value of share based payments to be calculated at the time of grant and accrued over the performance period. This may not reflect what Key Management Personnel actually received or became entitled to during the financial year.

The following table summarises the value of performance rights calculated in accordance with the statutory method and the value of performance rights received by Key Management Personnel during the financial year:

		Statutory value of performance rights ¹	Non-Statutory value of vested performance rights ²
Managing Director		\$	\$
M. Ryan	2019	58,192	130,708
Other Key Management Personnel:			
M. Asman	2019	15,421	34,638
A. Creswell	2019	15,421	34,638
B. Daley	2019	18,610	30,194
K. Little	2019	12,124	27,229
D. Williams	2019	15,421	34,638
Total	2019	135,189	292,045
Total	2018	269,086	-

1. Performance rights valuation has been determined in line with the requirements of AASB 2 'Share-based Payments'. AASB2 requires the measurement of the fair value of the performance rights at the grant date and then to have that value apportioned in equal amounts over the period from the grant date to vesting date. A value has been placed on performance rights using a Monte Carlo simulation model.

2. LTI performance rights granted in November 2016 partially vested as a result of meeting ROA targets on 30 June 2019. The Remuneration Committee will approve vesting of the performance rights in August 2019. The value assigned to the vested performance rights has been calculated using the Company's closing share price on 30 June 2019 of \$4.90

Analysis of LTI performance rights granted as remuneration

Details of the vesting profile of the performance rights granted as remuneration to the Chief Executive Officer and each of the named Executive Officers are summarised below:

Performance rights to be granted for the financial year ended 30 June 2019

Number granted	Grant date	Vesting date	Vested during the year number	Vested during the year %	Forfeited during the year number ¹	Forfeited during the year %	Value yet to vest		
							Minimum \$ ²	Maximum \$ ³	
Director:									
M. Ryan	95,819	30 Nov 2018	30 Jun 2021	-	-	-	-	Nil	370,599
Other Key Management Personnel:									
M. Asman	25,392	30 Nov 2018	30 Jun 2021	-	-	-	-	Nil	98,209
A. Creswell	25,392	30 Nov 2018	30 Jun 2021	-	-	-	-	Nil	98,209
B. Daley	25,392	30 Nov 2018	30 Jun 2021	-	-	-	-	Nil	98,209
K. Little	19,962	30 Nov 2018	30 Jun 2021	-	-	-	-	Nil	77,207
D. Williams	25,392	30 Nov 2018	30 Jun 2021	-	-	-	-	Nil	98,209

(1) The number forfeited in the year represents the reduction from the maximum number of performance rights available to vest due to performance criteria not being achieved.

(2) The minimum value of performance rights yet to vest is nil as the performance criteria may not be met and consequently the right may not vest.

(3) The maximum value of performance rights yet to vest represents an estimate of the maximum possible value of the performance rights to be recognised based on the fair value at grant date of \$3.868.

Performance rights to be granted for the financial year ended 30 June 2018

	Number granted	Grant date	Vesting date	Vested during the year number	Vested during the year %	Forfeited during the year number ¹	Forfeited during the year %	Value yet to vest	
								Minimum \$ ²	Maximum \$ ³
Director:									
M. Ryan	87,846	30 Nov 2017	30 Jun 2020	-	-	-	-	Nil	317,771
Other Key Management Personnel:									
M. Asman	23,279	30 Nov 2017	30 Jun 2020	-	-	-	-	Nil	84,209
A. Creswell	23,279	30 Nov 2017	30 Jun 2020	-	-	-	-	Nil	84,209
B. Daley	23,279	30 Nov 2017	30 Jun 2020	-	-	-	-	Nil	84,209
K. Little	18,301	30 Nov 2017	30 Jun 2020	-	-	-	-	Nil	66,201
D. Williams	23,279	30 Nov 2017	30 Jun 2020	-	-	-	-	Nil	84,209

(1) The number forfeited in the year represents the reduction from the maximum number of performance rights available to vest due to performance criteria not being achieved.

(2) The minimum value of performance rights yet to vest is nil as the performance criteria may not be met and consequently the right may not vest.

(3) The maximum value of performance rights yet to vest represents an estimate of the maximum possible value of the performance rights to be recognised based on the fair value at grant date of \$3.617.

Performance rights to be granted for the financial year ended 30 June 2017

	Number granted	Grant date	Vesting date	Vested during the year number ^{1,5}	Vested during the year %	Forfeited during the year number ²	Forfeited during the year %	Value vested during the year \$ ³	Value forfeited during the year \$ ⁴
Director:									
M. Ryan	91,985	28 Nov 2016	30 Jun 2019	26,675	29.00%	65,310	71.00%	93,564	229,070
Other Key Management Personnel:									
M. Asman	24,376	28 Nov 2016	30 Jun 2019	7,069	29.00%	17,307	71.00%	24,794	60,704
A. Creswell	24,376	28 Nov 2016	30 Jun 2019	7,069	29.00%	17,307	71.00%	24,794	60,704
B. Daley	21,248	28 Nov 2016	30 Jun 2019	6,162	29.00%	15,086	71.00%	21,613	52,914
K. Little	19,163	28 Nov 2016	30 Jun 2019	5,557	29.00%	13,606	71.00%	19,492	47,722
D. Williams	24,376	28 Nov 2016	30 Jun 2019	7,069	29.00%	17,307	71.00%	24,794	60,704

(1) The number vested in the year represents the allotment from the maximum number of performance rights available to vest due to performance criteria being achieved.

(2) The number forfeited in the year represents the reduction from the maximum number of performance rights available to vest due to performance criteria not being achieved.

(3) The value of performance rights vested based on the fair value at grant date of \$3.507.

(4) The value of performance rights forfeited as the performance criteria were not met and consequently the right did not vest, based on the fair value at grant date of \$3.507.

(5) An equivalent number of fully paid ordinary shares in respect of the performance rights granted during the year ended 30 June 2017 and which vested on 30 June 2019 will be issued pursuant to the Company's Long-term incentive plan.

Directors' Report (continued)

Equity Holdings

(Fully paid ordinary shares of Tassal Group Limited)

The following tables show details and movements in equity holdings of fully paid ordinary shares during the respective current and prior reporting periods of each member of the Key Management Personnel of the consolidated entity.

	Balance as at 01.07.18	Balance at appointment date (if applicable)	On exercise of performance rights	On Exercise of options	Net other change	Balance at resignation date (if applicable)	Balance as at 30.06.19	Balance held nominally
2019	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
M. Carroll (resigned 24.08.18)	24,263	-	-	-	-	24,263	-	-
T. Gerber	15,000	-	-	-	-	-	15,000	-
C. Leon	35,930	-	-	-	1,362	-	37,292	-
G. Lynch (appointed 27.11.18)	-	-	-	-	25,000	-	25,000	-
J. McArthur (appointed 27.11.18)	-	23,351	-	-	433	-	23,784	-
A. McCallum	334,148	-	-	-	12,651	-	346,799	-
M. Ryan ¹	360,378	-	-	-	(200,000)	-	160,378	-
J. Watson	52,977	-	-	-	63,947	-	116,924	-
Other Key Management Personnel:								
M. Asman	26,512	-	-	-	1,005	-	27,517	-
A. Creswell	75,739	-	-	-	(33,883)	-	41,856	-
B. Daley	46,255	-	-	-	(12,376)	-	33,879	-
K. Little (appointed 29.04.19)	-	37,652	-	-	-	-	37,652	-
D. Williams	109,045	-	-	-	(61,369)	-	47,676	-
Total	1,080,247	61,003	-	-	(203,230)	24,263	913,757	-

1. Details of Mr Ryan's share based remuneration arrangements are separately disclosed in the Remuneration Report and note 5(c)

	Balance as at 01.07.17	Balance at appointment date (if applicable)	On exercise of performance rights	On Exercise of options	Net other change	Balance at resignation date (if applicable)	Balance as at 30.06.18	Balance held nominally
2018	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
M. Carroll	23,430	-	-	-	833	-	24,263	-
T. Gerber	15,000	-	-	-	-	-	15,000	-
C. Leon	34,468	-	-	-	1,462	-	35,930	-
R. Murphy (resigned 19.03.18)	-	-	-	-	5,194	5,194	-	-
A. McCallum	320,561	-	-	-	13,587	-	334,148	-
M. Ryan ¹	360,378	-	-	-	-	-	360,378	-
J. Watson (appointed 19.03.18)	-	51,838	-	-	1,139	-	52,977	-
Other Key Management Personnel:								
M. Asman	25,433	-	-	-	1,079	-	26,512	-
A. Creswell	88,149	-	6,314	-	(18,724)	-	75,739	-
B. Daley	40,802	-	5,453	-	-	-	46,255	-
D. Williams	101,853	-	7,192	-	-	-	109,045	-
Total	1,010,074	51,838	18,959	-	4,570	5,194	1,080,247	-

1. Details of Mr Ryan's share based remuneration arrangements are separately disclosed in the Remuneration Report and note 5(c)

Long-term Incentive Plan – Performance Rights

The following table shows details and movements in equity holdings of performance rights granted pursuant to the Company's Long-term incentive plan during the current reporting period of each member of the Key Management Personnel of the consolidated entity:

	Balance as at 01.07.18	Balance at appointment date (if applicable)	Granted	Vested	Lapsed	Net other change	Balance as at 30.06.19	Balance held nominally
2019	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
M. Carroll (resigned 24.08.18)	-	-	-	-	-	-	-	-
T. Gerber	-	-	-	-	-	-	-	-
C. Leon	-	-	-	-	-	-	-	-
G. Lynch (appointed 27.11.18)	-	-	-	-	-	-	-	-
J. McArthur (appointed 27.11.18)	-	-	-	-	-	-	-	-
A. McCallum	-	-	-	-	-	-	-	-
M. Ryan ¹	179,831	-	95,819	(26,675)	(65,310)	-	183,665	-
J. Watson	-	-	-	-	-	-	-	-
Other Key Management Personnel:								
M. Asman	47,655	-	25,392	(7,069)	(17,307)	-	48,671	-
A. Creswell	47,655	-	25,392	(7,069)	(17,307)	-	48,671	-
B. Daley	44,527	-	25,392	(6,162)	(15,086)	-	48,671	-
K. Little (appointed 29.04.19)	-	57,426	-	(5,557)	(13,606)	-	38,263	-
D. Williams	47,655	-	25,392	(7,069)	(17,307)	-	48,671	-
Total	367,323	57,426	197,387	(59,601)	(145,923)	-	416,612	-

1. Details of Mr Ryan's share based remuneration arrangements are separately disclosed in the Remuneration Report and note 5(c)

	Balance as at 01.07.17	Balance at appointment date (if applicable)	Granted	Vested	Lapsed	Net other change	Balance as 30.06.18	Balance held nominally
2018	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
M. Carroll	-	-	-	-	-	-	-	-
T. Gerber	-	-	-	-	-	-	-	-
C. Leon	-	-	-	-	-	-	-	-
R. Murphy (resigned 19.03.18)	-	-	-	-	-	-	-	-
A. McCallum	-	-	-	-	-	-	-	-
M. Ryan ¹	185,723	-	87,846	-	(93,738)	-	179,831	-
J. Watson (appointed 19.03.18)	-	-	-	-	-	-	-	-
Other Key Management Personnel:								
M. Asman	24,376	-	23,279	-	-	-	47,655	-
A. Creswell	46,970	-	23,279	-	(22,594)	-	47,655	-
B. Daley	42,235	-	23,279	-	(20,987)	-	44,527	-
D. Williams	50,111	-	23,279	-	(25,735)	-	47,655	-
Total	349,415	-	180,962	-	(163,054)	-	367,323	-

1. Details of Mr Ryan's share based remuneration arrangements are separately disclosed in the Remuneration Report and note 5(c)

All performance rights granted to Key Management Personnel were granted in accordance with the provisions of the Company's Long-term Incentive Plan. Refer to the Remuneration Report and note 5 to the financial statements, for further details.

21. ROUNDING OFF OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that legislative instrument, amounts in the Annual Financial Report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the Directors



A.D. McCallum

Chairman

Sydney this 19th day of August 2019

Auditor's Independence Declaration

Deloitte.

19 August 2019

The Board of Directors
Tassal Group Limited
Level 9
1 Franklin Wharf
Hobart Tasmania 7000

Dear Board Members

Tassal Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Tassal Group Limited.

As lead audit partner for the audit of the financial statements of Tassal Group Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Clive Mottershead
Partner
Chartered Accountant

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Income Statement

for the year ended 30 June 2019

	Note	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Revenue	3(a)	551,819	474,072
Other income	3(b)	8,535	10,510
Fair value adjustment of biological assets		10,285	6,837
Fair value adjustment of biological assets at point of harvest		(5,672)	3,972
Share of profits / (losses) of associates accounted for using the equity method	12	434	(47)
Changes in inventories of finished goods and work in progress		(10,485)	4,930
Raw materials and consumables used		(295,998)	(267,611)
Contingent consideration expense	39	(96)	(588)
Employee benefits expense	3(c)	(116,078)	(101,058)
Depreciation and amortisation expense	3(c)	(23,758)	(23,025)
Finance costs	3(c)	(9,166)	(7,662)
Prawn farm business acquisition costs	40(b)	(2,009)	-
Other expenses		(25,822)	(21,014)
Profit before income tax expense		81,989	79,316
Income tax expense	4	(23,550)	(22,023)
Net profit for the period attributable to members of the Company		58,439	57,293
	Note	Cents per share 2019	Cents per share 2018
Earnings per ordinary share:			
Basic (cents per share)	28	33.01	33.13
Diluted (cents per share)	28	32.88	33.01

Notes to the financial statements are included on pages 35 to 78.

Statement of Comprehensive Income

for the year ended 30 June 2019

	Note	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Profit for the period		58,439	57,293
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain / (loss) on revaluation of property	14	1,985	-
Income tax relating to items that will not be reclassified subsequently		(595)	-
Items that may be reclassified subsequently to profit or loss:			
Gain / (loss) on cashflow hedges	26(a)	(89)	296
Income tax relating to items that may be reclassified subsequently	26(a)	27	(89)
Other comprehensive income for the period (net of tax)		1,328	207
Total comprehensive income for the period attributed to owners of the parent		59,767	57,500

Notes to the financial statements are included on pages 35 to 78.

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Statement of Financial Position

as at 30 June 2019

	Note	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Current Assets			
Cash and cash equivalents		24,566	23,821
Trade and other receivables	7	14,510	16,241
Inventories	8	49,939	66,096
Biological assets	9	399,895	356,484
Current tax asset	4	2,834	10,151
Other financial assets	10	824	884
Other	11	9,059	5,117
Total Current Assets		501,627	478,794
Non-Current Assets			
Investments accounted for using the equity method	12	8,936	8,502
Other financial assets	13	2,516	2,695
Property, plant and equipment	14	451,260	353,017
Goodwill	15	89,894	82,306
Other intangible assets	16	24,184	24,184
Other	17	5,116	4,915
Total Non-Current Assets		581,906	475,619
Total Assets		1,083,533	954,413
Current Liabilities			
Trade and other payables	19	88,188	82,516
Borrowings	20	23,240	34,307
Contingent consideration	39	-	7,862
Provisions	21	12,742	10,949
Other financial liabilities	22	263	174
Total Current Liabilities		124,433	135,808
Non-Current Liabilities			
Borrowings	23	179,993	99,077
Deferred tax liabilities	4	143,261	131,619
Provisions	24	1,988	1,906
Total Non-Current Liabilities		325,242	232,602
Total Liabilities		449,675	368,410
Net Assets		633,858	586,003
Equity			
Issued capital	25	288,814	271,082
Reserves	26	16,003	14,261
Retained earnings	27	329,041	300,660
Total Equity		633,858	586,003

Notes to the financial statements are included on pages 35 to 78.

Statement of Changes in Equity

for the year ended 30 June 2019

Consolidated	Issued capital \$'000	Asset revaluation reserve \$'000	Hedging reserve \$'000	Equity-settled employee benefits reserve \$'000	Retained earnings \$'000	Total attributable to equity holders of the entity \$'000
Balance as at 1 July 2017	253,905	12,700	(329)	1,493	270,125	537,894
Profit for the period	-	-	-	-	57,293	57,293
Gain / (loss) on cashflow hedges (net of any related tax)	-	-	207	-	-	207
Total comprehensive income for the period	-	-	207	-	57,293	57,500
Payment of dividends	-	-	-	-	(26,758)	(26,758)
Issue of shares pursuant to dividend reinvestment plan	9,286	-	-	-	-	9,286
Issue of shares pursuant to business acquisition earn-out arrangement	7,689	-	-	-	-	7,689
Issue of shares pursuant to executive long term incentive plan	202	-	-	(202)	-	-
Recognition of share-based payments	-	-	-	392	-	392
Balance as at 30 June 2018	271,082	12,700	(122)	1,683	300,660	586,003
Balance as at 1 July 2018	271,082	12,700	(122)	1,683	300,660	586,003
Profit for the period	-	-	-	-	58,439	58,439
Gain / (loss) on revaluation of property (net of any related tax)	-	1,390	-	-	-	1,390
Gain / (loss) on cashflow hedges (net of any related tax)	-	-	(62)	-	-	(62)
Total comprehensive income for the period	-	1,390	(62)	-	58,439	59,767
Payment of dividends	-	-	-	-	(30,058)	(30,058)
Issue of shares pursuant to dividend reinvestment plan	9,774	-	-	-	-	9,774
Issue of shares pursuant to business acquisition earn-out arrangement	7,958	-	-	-	-	7,958
Issue of shares pursuant to executive long term incentive plan	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	414	-	414
Balance as at 30 June 2019	288,814	14,090	(184)	2,097	329,041	633,858

Notes to the financial statements are included on pages 35 to 78.

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Statement of Cashflows

for the year ended 30 June 2019

Note	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Cashflows from Operating Activities		
Receipts from customers	602,405	520,958
Payments to suppliers and employees	(502,908)	(454,843)
Interest received	476	139
Interest and other costs of finance paid	(9,643)	(6,926)
Income taxes paid	(432)	(15,452)
Net cash (used in) / provided by operating activities	37(b) 89,898	43,876
Cashflows from Investing Activities		
Payment for property, plant and equipment	(104,774)	(69,149)
Proceeds from sale of property, plant and equipment	16	7
Payment for business	(33,960)	-
Net cash (used in) / provided by investing activities	(138,718)	(69,142)
Cashflows from Financing Activities		
Proceeds from borrowings	83,794	56,307
Repayment of borrowings	(13,945)	(20,309)
Dividends paid to members of the parent entity	(20,284)	(17,472)
Net cash (used in) / provided by financing activities	49,565	18,526
Net increase / (decrease) in cash and cash equivalents	745	(6,740)
Cash and cash equivalents at the beginning of the financial year	23,821	30,561
Cash and cash equivalents at the end of the financial year	37(a) 24,566	23,821

Notes to the financial statements are included on pages 35 to 78.

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

The Annual Financial Report is a general purpose financial report and has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law. For the purposes of preparing the consolidated financial statements, the consolidated entity is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the consolidated entity comply with International Financial Reporting Standards (IFRS).

The Annual Financial Report was authorised for issue by the Directors on 19 August 2019.

Basis of Preparation

The Annual Financial Report has been prepared on the basis of historic cost except for biological assets which are measured at net market value, and, if relevant for the revaluation of certain non-current assets and financial instruments, and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

All amounts are presented in Australian Dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that Instrument amounts in the Annual Financial Report are rounded to the nearest thousand dollars, unless otherwise indicated.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the consolidated entity's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various other factors, including expectations of future events, that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of consolidated entity's accounting policies that have significant effects on the Annual Financial Report and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. They include the following significant judgements and estimates:

- Biological assets (refer to notes 1(w) and 9) – including forecast harvest weights, forecast sale prices, forecast feed costs, labour and overheads, as well as discount rate.
- Fair value of De Costi contingent consideration (refer to note 39) – including the resultant estimate of the number of shares in Tassal Group Ltd to be issued to the vendors.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2019, and the comparative information presented in these financial statements.

Application of New and Revised Accounting Standards

(i) Amendments to AASBs and the new Interpretations that are mandatorily effective for the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments and related amending Standards*
- AASB 15 *Revenue from Contracts with Customers and related amending Standards*

- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*
- AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- *Interpretation 22 Foreign Currency Transactions and Advance Consideration*

AASB 9 Financial Instruments and related amending Standards

In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transitional provisions of AASB 9 allow an entity not to restate comparatives.

Additionally, the Group adopted consequential amendments to AASB 7 Financial Instruments: Disclosures that were applied to the related disclosures. AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

Classification and measurement of financial assets

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The group is party to an arrangement whereby certain eligible trade receivables are funded through equitable assignment to a third party bank. Trade receivables that are held within a business model whose objective is both to collect contract cash flows and to sell trade receivables, and that have contractual cash flows that are solely for payments of principal and interest on the principal outstanding are subsequently measured at fair value through other comprehensive income (FVTOCI). These were previously at amortised costs.

Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of

the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The group has elected to apply the simplified approach to measuring expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and the days pays due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group. The difference between the credit loss allowances calculated under AASB9 compared to the incurred loss model calculated under AASB 139 is not considered to be material to the group.

General hedge accounting

In accordance with the transition provisions of AASB 9 for hedge accounting, the group has applied AASB 9 hedge accounting requirements prospectively from the date of initial application on 1 July 2018. There have been no changes in the Group's transactions that are subject to hedge accounting from the adoption of AASB 9, being interest rate swaps, and forward currency exchange contracts. Accordingly, there has been no impact on the hedging reserve from the adoption of AASB 9.

AASB 15 Revenue from Contracts with Customers and related amending Standards

The Group has adopted AASB 15 Revenue from Customers using the full retrospective approach and has restated comparative information as set out below.

The adoption of AASB 15 has not impacted the timing of revenue recognition on the sale of goods but has resulted in the presentation of certain payments to customers (relating to promotional expenditure) being offset against revenue. The effect of the change was to reduce revenue from sale of goods and raw materials and consumables used by \$24.969 million in respect of the year ended 30 June 2018 as presented in the prior year financial statements. The change has not impacted profit before tax.

In applying AASB 15, revenue from the sale of goods is recognised when the performance obligation relating to the sale has been completed; being the point in time at which the customer accepts delivery of the goods (which is when control of the goods has transferred to the customer). For domestic sales the customer accepts the goods on delivery and in respect of export sales the customer obtains control of the goods consistent with trading terms. This is consistent with the basis under which revenue was recognised prior to the application of AASB 15.

Revenue is measured based on contracted selling prices, rebates and promotional expenditure. Rebates and promotional expenditure are deducted from the selling price in determining reported revenue. Rebates and promotional expenditure are recognised concurrently with the sale of the related goods. Where the Group provides "one-off" rebates or promotional expenditure in respect of a sale program, in addition to existing contractual arrangements, the amount is recognised at the time of the sale of goods related to that program. Sales returns are not material.

Notes to the Financial Statements

for the year ended 30 June 2019

Other than AASB 9 and AASB 15 (as disclosed above), the application of these amendments do not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

(ii) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard / Interpretation	Effective for financial years commencing on or after	Expected to be initially applied in the financial year ending
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,	1 January 2022	30 June 2023
AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128, AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections		
2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures Amendments to IAS 28 and Illustrative Example – Long-term Interests in Associates and Joint Ventures	1 January 2019	30 June 2020
2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle	1 January 2019	30 June 2020

Standard / Interpretation	Effective for financial years commencing on or after	Expected to be initially applied in the financial year ending
AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 January 2019	30 June 2020
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	30 June 2021
AASB 2018-7 Amendment to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020	30 June 2021
Interpretation 23 Uncertainty over Income Tax Treatments AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020
Conceptual Framework for Financial Reporting	1 January 2020	30 June 2021

The following existing group accounting policies will change on adoption of these pronouncements:

AASB 16 Leases

General impact of application

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group will be 1 July 2019.

The Group has not yet elected whether they will adopt the full retrospective application of AASB 16 in accordance with AASB 16:C5(a) or the modified retrospective approach (cumulative effect) per AASB16:C5(b), in respect of right of use assets.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to apply to those leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset, and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on lessee accounting

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position;
- Recognise depreciation of right-of-use assets and interest on lease liabilities;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of \$174.183 million. A preliminary assessment has indicated that \$172.209 million of these arrangements relate to leases other than short-term leases and leases of low-value assets. The Group are progressing in determining appropriate incremental borrowing rates for the purposes of discounting the leases to present value. Once finalised, the Group will recognise a lease liability equal to the present value (using the relevant incremental borrowing rates) of \$172.209 million.

Under AASB 117, all lease payments on operating leases are presented as part of cash flows from operating activities.

Finance leases

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 30 June 2019 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the Annual Financial Report:

(a) Basis of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 10 'Consolidated Financial Statements' (the **Group**). Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the difference is credited to profit or loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entities. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Notes to the Financial Statements

for the year ended 30 June 2019

(b) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(c) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(e) Derivative Financial Instruments

The consolidated entity uses derivative financial instruments, principally foreign exchange and interest rate related, to reduce their exposure to movements in foreign exchange rate and interest rate movements. Further details of derivative financial instruments are disclosed in note 38 to the financial statements.

The consolidated entity has adopted certain principles in relation to derivative financial instruments:

- it does not trade in a derivative that is not used in the hedging of an underlying business exposure of the consolidated entity; and
- derivatives acquired must be able to be recorded on the consolidated entity's treasury management systems, which contain appropriate internal controls.

The Company and consolidated entity follow the same credit policies, legal processes, monitoring of market and operational risks in the area of derivative financial instruments, as they do in relation to financial assets and liabilities on the statement of financial position, where internal controls operate.

On a continuing basis, the consolidated entity monitors its future exposures and on some occasions hedges all or part of these exposures. The transactions which may be covered are future foreign exchange requirements and interest rate positions.

These exposures are then monitored and may be modified from time to time. The foreign exchange hedge instruments are transacted on a commitment basis and hedge operational transactions the consolidated entity expects to occur in this time frame. Interest rate derivative instruments can be for periods up to 3 – 5 years as the critical terms of the instruments are matched to the life of the borrowings.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The consolidated entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cashflow hedges).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cashflow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(f) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the parent accounts. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 38. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest method less impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cashflows of the investment have been impacted.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cashflows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest

in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(h) Financial Instruments Issued by the Consolidated Entity

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 1(u).

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through the profit or loss" or other financial liabilities.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(i) Foreign Currency

Foreign currency transactions

All foreign currency transactions during the period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings; and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer to note 1(e)).

Notes to the Financial Statements

for the year ended 30 June 2019

(j) Goods and Service Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cashflows are included in the statement of cashflows on a gross basis. The GST component of cashflows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cashflows.

(k) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, 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 cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) (or groups of CGUs) expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicated that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(l) Government Grants

Government grants are assistance by the government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the consolidated entity other than the requirement to operate in certain regions or industry sectors.

Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary condition is that the consolidated entity should purchase, construct or otherwise acquire long-term assets are recognised as deferred income in the statement of financial position and recognised as income on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income of the period in which it becomes receivable.

(m) Impairment of Long-lived Assets Excluding Goodwill

At each reporting date, the consolidated entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cashflows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Refer also note 1(s).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Refer also note 1(s).

(n) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and

liabilities in the financial statements and the corresponding tax base of those items. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Tassal Group Limited is the head entity in the tax-consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current

tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 4 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(o) Intangible Assets

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible assets first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Brand names

Brand names recognised by the Company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 1(m).

Notes to the Financial Statements

for the year ended 30 June 2019

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(p) Inventories

Agricultural produce harvested from biological assets is measured at fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying AASB 102 'Inventories'.

Other inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out or weighted average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(q) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs. Refer to note 1(c).

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(r) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(s) Property, Plant and Equipment

Land and buildings are measured at fair value. Fair value is determined on the basis of an independent valuation prepared by external experts and in conformance with Australian Valuation Standards. The fair values are recognised in the financial statements of the consolidated entity, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

On 30 June 2019, an independent valuation of the consolidated entity's freehold land and freehold and leasehold buildings was performed by Mr M J Page [B.Bus.(Property)AAPI, CPV] to determine the fair value of land and buildings. Specialised land and buildings have been valued based on the depreciated replacement cost method. The valuation conforms to Australian Valuation Standards.

Any revaluation increase arising on the revaluation of land and buildings is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve, net of any related taxes, is transferred directly to retained earnings.

Plant and equipment and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other re-valued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period, with the effect of any change recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

• Buildings	25 – 50 years
• Plant and equipment	2 – 20 years
• Equipment under finance lease	2 – 20 years

(t) Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

Onerous Contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A restructuring provision is recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Dividends

A provision is recognised for dividends when they have been approved on or before the reporting date.

(u) Revenue Recognition

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the consolidated entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(v) Share-based Payments

Equity-settled share-based payments with employees are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Monte Carlo simulation model, taking into account the terms and conditions upon which the equity-settled share-based payment were granted. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 5 (c) (i) to the financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

At each reporting date, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

(w) Biological Assets – Livestock

Livestock assets are valued at fair value less estimated point of sale costs. This fair value is the amount which could be expected to be received from the disposal of the asset in an active and liquid market less the costs expected to be incurred in realising the proceeds of such disposal. The net increment / (decrement) in the fair value of livestock is recognised as income / (expense) in the reporting period.

Where an active and liquid market is not available, fair value is determined using the present value of expected net cashflows from the asset discounted at a current market-determined

Notes to the Financial Statements

for the year ended 30 June 2019

rate. The net cashflows are reduced for harvesting costs and freight costs to market. Further the expected net cashflows take into account the expected weight of the livestock at harvest, expected costs and sale prices, and incorporates expected possible variations in the net cashflows.

The change in estimated fair value is recognised in the income statement and is classified separately.

Fair value has been determined in accordance with Directors' valuation.

Historic cost is used as an estimate of fair value where little or no biological transformation has taken place.

(x) Financial Risk Management Strategies Relating to Agricultural Activities

The consolidated entity has a comprehensive risk management strategy in place to monitor and oversee its agricultural activities. The policy framework is broad, with risk management addressed via marine and hatchery site geographical diversification, conservative finfish husbandry practices, experienced management with international expertise and extensive investment in infrastructure improvements and automation.

(y) Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The result and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 *'Non-current Assets Held for Sale and Discontinued Operations'*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2. SUBSEQUENT EVENTS

Final Dividend Declared

On 19 August 2019, the Directors declared a final 25% franked dividend of 9.00 cents per ordinary share amounting to \$16.061 million in respect of the financial year ended 30 June 2019.

The record date for determining entitlements to this dividend is 11 September 2019. The final dividend will be paid on 30 September 2019.

The final dividend has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2019.

3. Profit for the Year Before Tax

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Profit from operations before income tax expense includes the following items of revenue and expense:		
(a) Revenue		
Revenue from the sale of goods:		
Domestic wholesale market	185,501	179,982
Domestic retail market	277,340	218,435
Export market	88,502	75,516
Interest revenue	476	139
Total revenue	551,819	474,072
(b) Other income		
Gain / (loss) on disposal of property, plant and equipment	6	(24)
Government grants received	3,358	3,232
Other	5,171	7,302
Total other income	8,535	10,510
(c) Expenses		
Depreciation of non-current assets	23,728	22,995
Amortisation of non-current assets	30	30
Total depreciation and amortisation	23,758	23,025
Interest - other entities	7,454	5,585
Finance lease charges	1,712	2,077
Total finance costs (i)	9,166	7,662
Notes:		
(i) Additional finance costs of \$0.432 million were included in the cost of qualifying assets during the current year (2018: \$0.563 million).		
(ii) The weighted average capitalisation rate on funds borrowed generally is 1.677% (2018: 2.796%).		
Employee benefits expense:		
Equity settled share-based payments	414	392
Post-employment benefits	8,267	7,118
Other employee benefits	107,397	93,548
Total employee benefits expense	116,078	101,058
Net bad and doubtful debts – other entities	368	199
Write-downs of inventories to net realisable value	207	558
Operating lease rental expenses	41,897	32,152
Research and development costs immediately expensed	1,205	696

Notes to the Financial Statements

for the year ended 30 June 2019

4. Income Taxes

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
(a) Income tax recognised in profit or loss:		
Tax (expense)/income comprises:		
Current tax (expense)/income	(12,848)	(7,849)
Adjustment recognised in the current year in relation to the current tax of prior years	372	-
Deferred tax (expense)/income relating to the origination and reversal of temporary differences and use of carry forward tax losses	(11,074)	(14,174)
Total tax (expense)/income	(23,550)	(22,023)
The prima facie income tax (expense)/income on pre-tax accounting profit from operations reconciles to the income tax (expense)/income in the financial statements as follows:		
Profit from operations	81,989	79,316
Income tax (expense)/benefit calculated at 30%	(24,597)	(23,795)
Non-tax deductible items	(371)	(317)
Research and development concession	1,418	2,089
Income tax (expense)/benefit	(23,550)	(22,023)
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.		
(b) Income tax recognised directly in equity		
Deferred tax:		
Property, plant and equipment	(595)	-
Employee share reserve	-	8
Revaluation of financial instruments treated as cashflow hedges	27	(89)
	(568)	(81)
(c) Current tax balances:		
Current tax assets / (liabilities) comprise:		
Income tax payable attributable to:		
Entities in the tax-consolidated group	(1,893)	3,188
Research & Development Offset included in Other income	4,727	6,963
Net current tax asset / (liability)	2,834	10,151
(d) Deferred tax balances:		
Deferred tax assets comprise:		
Temporary differences	5,454	4,463
	5,454	4,463
Deferred tax liabilities comprise:		
Temporary differences	(148,715)	(136,082)
	(148,715)	(136,082)
Net deferred tax asset / (liability)	(143,261)	(131,619)

4. Income Taxes (cont.)

(d) Deferred tax balances: (cont.)

Taxable and deductible temporary differences arise from the following:

Consolidated	Opening balance \$'000	Acquisition \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
2019					
Deferred tax liabilities:					
Biological assets	(106,022)	-	(9,105)	-	(115,127)
Inventories	(7,738)	-	406	-	(7,332)
Property, plant and equipment	(20,103)	-	(2,178)	(595)	(22,876)
Investment in associates	(709)	-	(130)	-	(839)
Other financial assets	(1,510)	-	(1,031)	-	(2,541)
	(136,082)	-	(12,038)	(595)	(148,715)
Deferred tax assets:					
Provisions	3,360	-	451	-	3,811
Other intangible assets	62	-	37	-	99
Trade and other payables	91	-	105	-	196
Cashflow hedges	223	-	(171)	27	79
Other	727	-	542	-	1,269
	4,463	-	964	27	5,454
	(131,619)	-	(11,074)	(568)	(143,261)
Reduction arising from:					
Revenue tax losses and R&D offset	-	-	-	-	-
Net deferred tax asset/(liability)	(131,619)	-	(11,074)	(568)	(143,261)
2018					
Deferred tax liabilities:					
Biological assets	(92,707)	-	(13,315)	-	(106,022)
Inventories	(7,205)	-	(533)	-	(7,738)
Property, plant and equipment	(19,456)	-	(647)	-	(20,103)
Investment in associates	(723)	-	14	-	(709)
Other financial assets	(1,336)	-	(174)	-	(1,510)
	(121,427)	-	(14,655)	-	(136,082)
Deferred tax assets:					
Provisions	2,988	-	372	-	3,360
Other intangible assets	62	-	-	-	62
Trade and other payables	75	-	16	-	91
Cashflow hedges	312	-	-	(89)	223
Other	626	-	93	8	727
	4,063	-	481	(81)	4,463
	(117,364)	-	(14,174)	(81)	(131,619)
Reduction arising from:					
Revenue tax losses and R&D offset	-	-	-	-	-
Net deferred tax asset/(liability)	(117,364)	-	(14,174)	(81)	(131,619)

Notes to the Financial Statements

for the year ended 30 June 2019

4. Income Taxes (cont.)

(e) Tax consolidation

Relevance of tax consolidation to the consolidated entity

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 19 September 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Tassal Group Limited. The members of the tax-consolidated group are identified at note 33.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity.

Under the terms of the tax funding arrangement, Tassal Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

5. Key Management Personnel Compensation

(a) Identity of Key Management Personnel:

The following were Key Management Personnel of the consolidated entity at any time during the financial year and unless otherwise indicated were Key Management Personnel for the entire period. Further details of the company's determination of key management personnel for the 2019 and 2018 financial years are included in the Remuneration Report in the Director's Report.

Name	Title
A. McCallum	Chairman, Non-executive Director
M. Ryan	Chief Executive Officer and Managing Director
T. Gerber	Non-executive Director
C. Leon	Non-executive Director
M. Carroll	Non-executive Director (resigned 24 August 2018)
G. Lynch	Non-executive Director (appointed 27 November 2018)
J. McArthur	Non-executive Director (appointed 27 November 2018)
J. Watson	Non-executive Director

Other Key Management Personnel:

Name	Title
M. Asman	Head of Aquaculture
A. Creswell	Chief Financial Officer
D. Williams	Head of Sales and Marketing
K. Little	Head of People and Communities (appointed 29 April 2019)
B. Daley	Head of Supply Chain and Commercial Services

5. Key Management Personnel compensation (cont.)

(b) Key Management Personnel Compensation

The aggregate compensation of Key Management Personnel of the consolidated entity is set out below:

	Consolidated 2019 \$	Consolidated 2018 \$
Short-term employee benefits	3,891,411	3,295,327
Post-employment benefits	216,933	209,675
Share-based payment	135,188	269,086
	4,243,532	3,774,088

Details of the consolidated entity's Key Management Personnel compensation policy and details of Key Management Personnel compensation are discussed in section 20 of the Directors' Report.

(c) Share-based Remuneration

(i) Long-term Incentive Plan

The Company established a Long-term Incentive Plan during the financial year ended 30 June 2007. Employees receiving awards under the Long-term Incentive Plan are those of an Executive level (including the Managing Director and Chief Executive Officer).

Under the Company's Long-term Incentive Plan, participants are granted performance rights to ordinary shares, subject to the Company meeting specified performance criteria during the performance period. If these performance criteria are satisfied, ordinary shares will be issued at the end of the performance period. The number of ordinary shares that a participant will ultimately receive will depend on the extent to which the performance criteria are met by the Company. If specified minimum performance hurdles are not met no ordinary shares will be issued in respect of the performance rights.

An employee granted performance rights is not legally entitled to shares in the Company before the performance rights allocated under the Plan vest. A performance right to ordinary shares does not entitle a participant under the Plan to voting rights, participation in new issues of securities or to receive dividends. In the event that shares are issued under the Plan at the end of the performance period pursuant to the performance rights, those shares will rank equally with existing ordinary shares, including entitlement to voting rights. Once shares have vested they remain in a holding lock until the earlier of the employee leaving the consolidated entity, the seventh anniversary of the date the performance rights were awarded or the Board approving an application for their release.

Set out below is a summary of performance rights granted to participants under the Plan (Consolidated and Parent Entity):

Grant date	Vesting date	Balance at start of year (Number)	Granted during the year (Number)	Vested during the year (Number)	Lapsed during the year (Number)	Balance at end of year (Number)
28 Nov 2016	30 Jun 2019	359,148	-	96,148	263,000	-
30 Nov 2017	30 Jun 2020	341,146	-	-	-	341,146
30 Nov 2018	30 Jun 2021	-	420,716	-	-	420,716
		700,294	420,716	96,148	263,000	761,862

Details of the performance rights holdings of the respective Key Management Personnel, including details of performance rights granted, vested or lapsed during the year are disclosed in the Director's report

Notes to the Financial Statements

for the year ended 30 June 2019

5. Key Management Personnel compensation (cont.)

The independently assessed fair value at grant date of performance rights granted under the Long-term Incentive Plan during the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 and applicable to participants was:

Performance condition	Value at grant date \$
Performance rights issued during the financial year ended 30 June 2017:	
Operating earnings per share ('EPS')	300,439
Operating return on assets ('ROA')	394,917
	695,356
Performance rights issued during the financial year ended 30 June 2018:	
Operating earnings per share ('EPS')	356,640
Operating return on assets ('ROA')	484,981
	841,621
Performance rights issued during the financial year ended 30 June 2019:	
Operating earnings per share ('EPS')	381,321
Operating return on assets ('ROA')	668,936
	1,050,257
	2,587,234

The above performance rights valuations have been determined in line with the requirements of AASB 2 '*Share-based Payments*'. AASB 2 requires the measurement of the fair value of the performance rights at the grant date and then to have that value apportioned in equal amounts over the period from grant date to vesting date.

(i) Long-term Incentive Plan (cont.)

The expense recognised in relation to performance rights applicable to Key Management Personnel for the financial year ended 30 June 2019 is \$135,188 (2018: \$269,086).

50% of the performance rights granted to Key Management Personnel during the financial year ended 30 June 2018 attach respectively to each of the EPS and ROA performance hurdles.

50% of the performance rights granted to Key Management Personnel during the financial year ended 30 June 2019 attach respectively to each of the EPS and ROA performance hurdles.

The fair value of the performance rights is based on the share price at grant date of \$4.20 (2018: \$3.99) adjusted for the present value of expected dividends over the vesting Performance Period.

6. Remuneration of Auditors

	Consolidated 2019 \$	Consolidated 2018 \$
Audit or review of the financial reports	305,600	241,000
Non-audit services (i)	10,675	6,838
	316,275	247,838

Notes:

(i) The "non-audit services" principally refers to the provision of a whistleblower hotline and other assurance services. Non-audit services are any services provided, excluding audits required by the *Corporations Act 2001*.

All amounts shown above are exclusive of GST.

The parent entity's audit fees were paid for by Tassal Operations Pty Ltd, a wholly-owned subsidiary.

Refer to the Directors' Report for details on compliance with the auditor's independence requirements of the *Corporations Act 2001*.

The auditor of Tassal Group Limited is Deloitte Touche Tohmatsu.

7. Current Trade and Other Receivables

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Trade receivables (i)	10,114	10,269
Loss allowance	(575)	(380)
	9,539	9,889
Goods and services tax (GST) receivable	2,715	2,858
Other receivables	2,256	3,494
	14,510	16,241

Notes:

Notes:

(i) The average credit period on sales of goods is 30 days from the previous month's statement date. No interest is charged on the trade receivables for the first 60 days from the date of the invoice. Thereafter, interest may be charged at 2% per month on the outstanding balance. The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL (expected credit loss). ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor's, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 120 days past due as historical experience has indicated that these receivables are generally not recoverable.

The Group writes off a trade receivable when there is information indicating the debtor is in severe financial difficulty and there is no realistic prospect of recovery. None of the trade receivables that have been written off are subject to enforcement activities.

(ii) Transfer of Financial Assets:

During the financial year, Westpac Banking Corporation ("Westpac") continued to provide a Trade Finance Facility ("Receivables Purchase Facility") under which it may purchase receivables from the Company at a discount. This facility has been provided by Westpac to the Company since 30 June 2006 and is utilised by the Company as a primary source of working capital. The maximum available at any time under the facility was \$95.000 million during the financial year. All receivables sold to Westpac are insured by the Company with a 10% deductible per insurance claim in the event of a debtor default, representing the Company's maximum exposure under the facility. Westpac retains 15% of any receivable purchased as a security deposit until it has received payment for the full face value of the receivable purchased. The Receivables Purchase Facility is committed for two years and revolving.

The funded value of the Company's Receivables Purchase Facility was \$67.732 million as at 30 June 2019 (2018: \$57.501 million). The receivables sold by the Company into this facility are de-recognised as an asset as the contractual rights to cashflows from these receivables have expired on acceptance of the sale with Westpac. Further, the amount funded under this facility is also not recognised as a liability. The Company does recognise the security deposit as cash. The security deposit held as at 30 June 2019 was \$10.598 million (2018: \$10.135 million).

Notes to the Financial Statements

for the year ended 30 June 2019

7. Current Trade and Other Receivables (cont.)

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base

Trade Receivables - days past due

	Not past due	>30 days	>60 days	>90 days	>120 days	Total
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	8,100	1,272	223	17	502	10,114
Expected loss rate (%)	0.53	1.00	2.00	5.00	100.00	
Estimated total at default	43	13	4	1	502	563
Lifetime ECL	51	15	5	1	502	575

Trade Receivables - days past due

	Not past due	>30 days	>60 days	>90 days	>120 days	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	6,098	2,899	700	300	273	10,269
Expected loss rate (%)	0.51	1.00	2.00	5.00	100.00	
Estimated total at default	31	29	14	15	273	362
Lifetime ECL	37	35	17	18	273	380

8. Current Inventories

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Raw materials	11,136	10,893
Finished goods ⁽ⁱ⁾	38,803	55,203
	49,939	66,096

(i) Includes fair value adjustment of biological assets at point of harvest \$8.965 million (2018: \$14.638 million)

9. Biological Assets

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Livestock at fair value		
Opening balance	356,484	312,405
Gain or loss arising from changes in fair value less estimated point of sale costs	443,192	379,207
Increases due to purchases	14,001	13,950
Decreases due to harvest	(413,782)	(349,078)
Closing balance⁽ⁱ⁾	399,895	356,484

(i) Includes fair value adjustment of biological assets \$153.302 million (2018: \$143.017 million)

9. Biological Assets (cont.)

Fair Value of biological assets

The fair value of biological assets have been determined in accordance with generally accepted pricing models based on a discounted cashflow analysis.

Fair value hierarchy

Item	Fair value as at:		Fair value hierarchy	Valuation techniques
	30/06/2019 \$'000	30/06/2018 \$'000		
Biological Assets	399,895	356,484	Level 2	Discounted cashflow, based on observable market prices and cost of inputs, as described in Note 1(w).

10. Other Current Financial Assets

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Loans carried at amortised cost:		
Loans to other parties	824	884
	824	884

11. Other Current Assets

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Prepayments	9,059	5,117
	9,059	5,117

12. Investments Accounted for Using the Equity Method

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Investments in associates	8,936	8,502
	8,936	8,502
Reconciliation of movement in investments accounted for using the equity method		
Balance at the beginning of the financial year	8,502	8,549
Share of profit / (loss) for the year	434	(47)
Additions	-	-
Disposals	-	-
Balance at the end of the financial year	8,936	8,502

Notes to the Financial Statements

for the year ended 30 June 2019

12. Investments Accounted for Using the Equity Method (cont.)

Name of entity	Principal activity	Country of Incorporation	Ownership interest	
			2019 %	2018 %
Associates:				
Salmon Enterprises of Tasmania Pty Ltd (i)	Atlantic salmon hatchery	Australia	68.94	68.94

(i) The Consolidated entity owns 68.94% (2018: 68.94%) of the issued capital and 61.22% (2018: 61.22%) of the voting shares of Salmon Enterprises of Tasmania Pty Ltd (**Saltas**). Saltas supplies smolt to the Tasmanian aquaculture industry.

The Board has concluded that despite the ownership interest and voting rights held by the consolidated entity, the consolidated entity does not control Saltas. The consolidated entity only has the power to appoint one out of four Directors on the Board of Saltas. Given the consolidated entity's involvement on the Board of Saltas, the Board has concluded it has significant influence.

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Summarised financial information of associates: ⁽ⁱ⁾		
Current assets	19,224	15,096
Non-current assets	31,277	28,283
	50,501	43,379
Current liabilities	(6,762)	(6,615)
Non-current liabilities	(14,316)	(12,982)
	(21,078)	(19,597)
Net assets	29,423	23,782
Revenue	12,222	10,191
Net profit / (loss)	2,047	(7)
Share of associates' profit / (loss):		
Share of profit / (loss) before income tax	630	(84)
Income tax (expense)/benefit	(196)	37
Share of associates' profit / (loss) – current period	434	(47)

(i) Profit and loss resulting from upstream and downstream transactions between an investor and an associate are recognised in the investor's financial statements only to the extent of unrelated investors' interest in the associate.

13. Other Non-Current Financial Assets

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Shares in other entities at cost	43	43
Loans to other parties	2,473	2,652
	2,516	2,695

14. Property, Plant and Equipment

	Freehold land at fair value \$'000	Buildings at fair value \$'000	Plant and equipment at cost \$'000	Capital works in progress at cost \$'000	Total \$'000
Consolidated 2019					
Gross carrying amount					
Balance at 30 June 2018	5,225	93,454	354,576	46,323	499,578
Acquisition of business	17,487	2,883	336	-	20,706
Disposals	-	-	(9,697)	-	(9,697)
Work-In-Progress Additions	-	-	-	107,036	107,036
Capitalisation to asset categories	1,135	5,561	72,466	(79,162)	-
Net revaluation increment / (decrement)	1,435	(7,249)	-	-	(5,814)
Balance at 30 June 2019	25,282	94,649	417,681	74,197	611,809
Accumulated depreciation					
Balance at 30 June 2018	-	(13,528)	(133,033)	-	(146,561)
Depreciation expense	-	(3,824)	(27,626)	-	(31,450)
Disposals	-	-	9,662	-	9,662
Net adjustments from revaluations	-	7,800	-	-	7,800
Balance at 30 June 2019	-	(9,552)	(150,997)	-	(160,549)
Net book value					
Balance at 30 June 2018	5,225	79,926	221,543	46,323	353,017
Balance at 30 June 2019	25,282	85,097	266,684	74,197	451,260
Consolidated 2018					
Gross carrying amount					
Balance at 30 June 2017	5,225	77,523	300,229	57,356	440,333
Disposals	-	(3)	(9,149)	-	(9,152)
Work-In-Progress Additions	-	-	-	68,397	68,397
Capitalisation to asset categories	-	15,934	63,496	(79,430)	-
Net revaluation increment / (decrement)	-	-	-	-	-
Balance at 30 June 2018	5,225	93,454	354,576	46,323	499,578
Accumulated depreciation					
Balance at 30 June 2017	-	(9,812)	(120,166)	-	(129,978)
Depreciation expense	-	(3,716)	(21,963)	-	(25,679)
Disposals	-	-	9,096	-	9,096
Net adjustments from revaluations	-	-	-	-	-
Balance at 30 June 2018	-	(13,528)	(133,033)	-	(146,561)
Net book value					
Balance at 30 June 2017	5,225	67,711	180,063	57,356	310,355
Balance at 30 June 2018	5,225	79,926	221,543	46,323	353,017

Notes to the Financial Statements

for the year ended 30 June 2019

14. Property, Plant and Equipment (cont.)

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 30 June 2019 were performed by Mr M.J.Page [B.Bus.(Property)AAPI CPV], independent valuer not related to the Group. The valuation was based on comparable and observable market prices adjusted for property-specific factors, and conforms to Australian Valuations Standards.

Fair value of land and Buildings

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value as at 30 June 2019 \$'000
Freehold land	-	-	25,282	25,282
Buildings	-	-	85,079	85,079

Fair value of land and Buildings

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value as at 30 June 2018 \$'000
Freehold land	-	-	5,225	5,225
Buildings	-	-	79,926	79,926

15. Goodwill

	Note	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Gross carrying amount			
Balance at the beginning of financial year		82,306	82,306
Additional amounts recognised from business combinations occurring during the period	40 (d)	7,588	-
Balance at the end of financial year		89,894	82,306
Accumulated impairment losses			
Balance at the beginning of financial year		-	-
Impairment losses for the year		-	-
Balance at the end of the financial year		-	-
Net book value			
Balance at the beginning of the financial year		89,894	82,306
Balance at the end of the financial year		89,894	82,306

Impairment test for goodwill

Goodwill relates to the consolidated entity's acquisition of the wholly-owned controlled entities, Aquatas Pty Ltd acquired in FY05, De Costi Seafoods Pty Ltd acquired in FY16 and the Fortune Group prawn aquaculture business acquired in FY19. For impairment testing purposes, goodwill has been tested at the cash generating unit (CGU) level, being the domestic and export CGU's. The recoverable amount of each CGU is determined based on the value-in-use calculation and is consistent with the disclosure for segment reporting. These calculations use a discounted cashflow projection using a post-tax discount rate of 8.00% (2018: 8.00%). The calculations are based on management approved cashflows and financial projections to 2024, and a terminal value. The recoverable amount calculated exceeds the carrying value of goodwill. The cashflows beyond a five-year period have been extrapolated using a 2.5% (2018: 2.5%) per annum growth rate.

16. Other Intangible Assets

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Gross carrying amount		
Balance at the beginning of financial year	24,184	24,184
Additional amounts recognised from acquisition of Superior Gold Brand	-	-
Balance at the end of financial year	24,184	24,184
Accumulated impairment losses		
Balance at the beginning of financial year	-	-
Additional amounts recognised from acquisition of Superior Gold Brand	-	-
Balance at the end of financial year	-	-
Net book value		
Balance at the beginning of financial year	24,184	24,184
Balance at the end of financial year	24,184	24,184

Impairment test and useful life assessment for other intangible assets

The carrying value of other intangible assets relating to the Superior Gold brand as at 30 June 2019 is \$24.184 million (2018: \$24.184 million). Management have assessed that the brand has an indefinite useful life. There is no foreseeable limited life for the brand and management has no intentions of ceasing use of the brand such that the life would be limited. The Brand will continue to be actively promoted and supported in the markets where Superior Gold branded products are sold.

The recoverable amount of other intangible assets is determined based on the value-in-use calculation. This calculation uses a discounted cashflow projection using a post-tax discount rate of 8.00% (2018: 8.00%). The calculation is based on management approved cashflows and financial projections expected to be derived from the contribution of Superior Gold branded product sales for the financial year ended 30 June 2020, and projections over a further forecast period to 2024, and a terminal value. The recoverable amount calculated exceeds the carrying value of the Superior Gold brand. The cashflows beyond a five-year period have been extrapolated using a 0.00% (2018: 0.00%) per annum growth rate.

17. Other Non-Current Assets

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Marine farming lease – at cost	826	826
Accumulated amortisation (i)	(544)	(514)
Selective breeding program contribution asset (ii)	4,834	4,603
	5,116	4,915

(i) Amortisation expense is included in the line item "depreciation and amortisation" in the income statement.

(ii) The Selective Breeding Program (SBP) is controlled by Salmon Enterprises of Tasmania Pty Ltd (Saltas). The success of the SBP and accordingly, the broodstock and resultant progeny is fundamental to the sustainability of Tassal Group Limited. The carrying value of the "selective breeding program contribution asset" is \$4.834 million (2018: \$4.603 million) and represents payments to the SBP to date.

All future investments in the SBP shall be capitalised to the SBP contribution asset in accordance with the policy. As the SBP eggs and smolt are progressively received by the Group, the capitalised value will transfer from the SBP contribution asset back to the finfish biological asset and be subsequently released to profit and loss as the livestock is harvested and sold.

18. Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed in notes 20 and 23 to the financial statements, all current and non-current assets of the consolidated entity, except goodwill and deferred tax assets, have been pledged as security.

The consolidated entity does not hold title to the equipment under finance lease pledged as security.

Notes to the Financial Statements

for the year ended 30 June 2019

19. Current Trade and Other Payables

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Trade payables (i)	79,547	75,693
Other creditors and accruals	8,504	6,612
Goods and services tax (GST) payable	137	211
	88,188	82,516

(i) The average credit period on purchases of goods is 60 days. No interest is generally charged on trade payables for the first 60 days from the date of the invoice. Thereafter, interest may be charged at varying rates per annum on the outstanding balance. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

20. Current Borrowings

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Secured:		
At amortised cost		
Bank overdrafts (i)	-	-
Finance lease liabilities (ii)	11,018	13,079
Bank loans (iii)	12,222	21,228
	23,240	34,307
Unsecured:		
At amortised cost		
Other loans	-	-
	23,240	34,307

(i) Secured by registered mortgages over the consolidated entity's assets and undertakings, freehold land and buildings and shares in other related parties, the current market value of which exceeds the value of the mortgages.

(ii) Secured by assets leased.

(iii) Secured by assets, the value of which exceeds the loan liability.

21. Current Provisions

Current provisions comprise:

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Employee benefits (refer to note 24)	12,742	10,949
	12,742	10,949

(i) The current provision for employee entitlements includes \$1.934 million (2018: \$1.833 million) of annual leave and vested long service leave entitlements accrued but not expected to be taken within twelve months.

22. Other Current Financial Liabilities

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Interest rate swap contracts	263	174
	263	174

23. Non-Current Borrowings

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Secured:		
At amortised cost:		
Cash advance (i)	164,428	77,825
Finance lease liabilities (ii)	15,565	21,252
	179,993	99,077

(i) Secured by registered mortgages over the consolidated entity's assets and undertakings, freehold land and buildings and shares in other related parties, the current market value of which exceeds the value of the mortgages.

(ii) Secured by assets leased.

24. Non-Current Provisions

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Employee benefits	1,988	1,906
The aggregate employee benefit liability recognised and included in the financial statements is as follows:		
Provision for employee benefits		
Current (refer to note 21)	12,742	10,949
Non-current	1,988	1,906
	14,730	12,855

Notes to the Financial Statements

for the year ended 30 June 2019

25. Issued Capital

	Note	2019 Number	Consolidated		
			2019 \$'000	2018 Number	2018 \$'000
(a) Ordinary share capital (fully paid):					
Ordinary shares		178,450,013	288,814	174,458,730	271,082
Changes to the Corporations Law abolished the authorised capital and par value concepts in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.					
(b) Movements in ordinary share capital					
Balance as at the beginning of the financial year		174,458,730	271,082	169,889,399	253,905
Issue of shares pursuant to dividend reinvestment plan	(i)	2,141,283	9,774	2,510,936	9,286
Issue of shares pursuant to business acquisition earn-out arrangement	(ii)	1,850,000	7,958	2,000,000	7,689
Issue of shares pursuant to executive long term incentive plan	(iii)	-	-	58,395	202
Balance as at the end of the financial year		178,450,013	288,814	174,458,730	271,082

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings

Current financial year

- (i) On 28 September 2018, 955,128 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of \$4.21 per share. A discount of 2% was applicable.
On 29 March 2019, 1,186,155 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of \$4.85 per share. A discount of 2% was applicable.
- (ii) On 28 August 2018, 1,850,000 ordinary shares were issued to Rasin Holdings pursuant to the De Costi Seafoods business acquisition earn-out arrangement at an issue price of \$4.3013 per share.
96,148 fully paid ordinary shares in respect of the performance rights granted during the year ended 30 June 2017 and which vested on 30 June 2019 will be issued pursuant to the Company's Long-term Incentive Plan

Previous financial year

- (i) On 29 September 2017, 1,327,453 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of \$3.75 per share. A discount of 2% was applicable.
On 29 March 2018, 1,183,483 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of \$3.64 per share. A discount of 2% was applicable.
- (ii) On 28 August 2017, 2,000,000 ordinary shares were issued to Rasin Holdings pursuant to the De Costi Seafoods business acquisition earn-out arrangement at an issue price of \$3.8445 per share.
- (iii) On 28 August 2017, 58,395 ordinary shares were issued pursuant to the Company's Long Term Incentive Plan at an issue price of \$3.4705 per share. There was no exercise price paid on this conversion.

26. Reserves

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Hedging	(184)	(122)
Equity-settled employee benefits	2,097	1,683
Asset revaluation	14,090	12,700
	16,003	14,261

(a) Hedging reserve

Balance at the beginning of the financial year	(122)	(329)
Gain/(loss) recognised on cashflow hedges: Interest rate swap contracts	(89)	296
Income tax related to gains / losses recognised in equity	27	(89)
Balance at the end of the financial year	(184)	(122)

The hedging reserve represents gains and losses recognised on the effective position of cashflow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item consistent with the applicable accounting policy.

(b) Equity-settled employee benefits reserve

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Balance at the beginning of the financial year	1,683	1,493
Share-based payment	414	392
Issue of shares pursuant to Executive Long Term Incentive Plan	-	(202)
Balance at the end of the financial year	2,097	1,683

The equity-settled employee benefits reserve arises on the grant of ordinary shares to the Chief Executive Officer pursuant to entitlements under his employment contract and in respect of performance rights issued to the Chief Executive Officer and Senior Executives pursuant to the Company's Long-term Incentive Plan. Amounts are transferred out of the reserve and into issued capital when the shares are issued.

(c) Asset revaluation reserve

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Balance as at the beginning of the financial year	12,700	12,700
Revaluation increments / (decrements)	1,985	-
Deferred tax liability arising on revaluation	(595)	-
Balance at the end of the financial year	14,090	12,700

The asset revaluation reserve arises on the revaluation of freehold land and freehold and leasehold buildings. Where a revalued land or building is sold, that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained profits.

(Refer to note 14 for details of independent valuation of freehold land and freehold and leasehold buildings).

Notes to the Financial Statements

for the year ended 30 June 2019

27. Retained Earnings

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Balance at the beginning of the financial year	300,660	270,125
Net profit attributable to members of the parent entity	58,439	57,293
Dividends provided for or paid (refer to note 29)	(30,058)	(26,758)
Balance at the end of the financial year	329,041	300,660

28. Earnings Per Share (EPS)

	Consolidated 2019 (Cents per share)	Consolidated 2018 (Cents per share)
Earnings per ordinary share		
Basic (cents per share) (i)	33.01	33.13
Diluted (cents per share) (ii)	32.88	33.01

- (i) Basic earnings per share is calculated by dividing the net profit for the reporting period by the weighted average number of ordinary shares of the Company.
(ii) Diluted earnings per share is calculated by dividing the net profit for the reporting period by the weighted average number of ordinary shares outstanding including dilutive potential ordinary shares.

	2019 No. '000	2018 No. '000
Weighted average number of ordinary shares used as the denominator in the calculation of EPS		
Number for basic EPS	177,058	172,926
Shares deemed to be issued for no consideration in respect of performance rights issued pursuant to Long-term Incentive Plan	706	621
Number for diluted EPS	177,764	173,547

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Earnings used as the numerator in the calculation of EPS (i)		
Earnings for basic EPS	58,439	57,293
Earnings for diluted EPS	58,439	57,293

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

29. Dividends

	Year Ended 30 June 2019		Year Ended 30 June 2018	
	Cents per share	\$'000	Cents per share	\$'000
<i>(a) Recognised amounts</i>				
Fully paid ordinary shares				
Interim dividend in respect of current financial year	9.00	15,953	8.00	13,862
Final dividend paid in respect of prior financial year	8.00	14,105	7.50	12,896
	17.00	30,058	15.50	26,758
<i>(b) Unrecognised amounts</i>				
Fully paid ordinary shares				
Final dividend in respect of current financial year	9.00	16,061	8.00	14,105

On 19 August 2019, the Directors declared a final dividend of \$16.061 million (9.00 cents per ordinary share) in respect of the financial year ended 30 June 2019. The final dividend will be 25% franked. The record date for determining entitlements to this dividend is 11 September 2019. The final dividend will be paid on 30 September 2019.

The final dividend in respect of ordinary shares for the year ended 30 June 2019 has not been recognised in these financial statements because the final dividend was declared subsequent to 30 June 2019.

No portion of the final dividend declared for the financial year ended 30 June 2019 constitutes Conduit Foreign Income.

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Franking account balance	3,263	10,049

30. Commitments for Expenditure ⁽ⁱ⁾

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Capital expenditure commitments		
Plant and equipment		
Not longer than 1 year	51,525	21,546
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	51,525	21,546

(i) Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 31 to the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

31. Leases

(a) Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	Consolidated		Consolidated	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Not later than 1 year	12,156	14,604	11,018	13,079
Later than 1 year and not later than 5 years	16,456	22,683	15,565	21,252
Later than 5 years	-	-	-	-
Minimum lease payments*	28,612	37,287	26,583	34,331
Less future finance charges	(2,029)	(2,956)	-	-
Present value of minimum lease payments	26,583	34,331	26,583	34,331
Included in the financial statements as:				
Current borrowings (refer to note 20)			11,018	13,079
Non-current borrowings (refer to note 23)			15,565	21,252
			26,583	34,331

* Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

Finance lease liabilities relate to various plant and equipment with lease terms of up to ten years.

(b) Non-cancellable operating leases

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Not longer than 1 year	39,125	30,680
Longer than 1 year and not longer than 5 years	85,844	62,126
Longer than 5 years	49,214	34,746
	174,183	127,552

The consolidated entity leases property and equipment under non-cancellable operating leases with terms of one to fifteen years. Contracts for specific property leases for hatchery, processing and marine lease infrastructure are for terms of up to 15 years, with options to renew for a further 5 year term incorporating contract CPI review clauses.

Contracts for specific property leases for corporate offices and related infrastructure are for an initial term of 5 years with an option to renew for subsequent 5 year term's incorporating market review clauses

32. Contingent Liabilities and Contingent Assets

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

33. Investments in Controlled Entities

Details of controlled entities are reflected below:

Name of entity	Country of incorporation	Ownership interest	
		2019	2018
Parent entity:			
Tassal Group Limited (i)	Australia		
Controlled entities: (ii)			
Tassal Operations Pty Ltd (iii), (v), (vii), (ix)	Australia	100%	100%
Aquatas Pty Ltd (iv), (v), (vii), (ix)	Australia	100%	100%
De Costi Seafoods Pty Ltd (vi), (viii), (ix)	Australia	100%	100%

Notes:

- (i) Tassal Group Limited is the head entity within the tax-consolidated group and also the ultimate parent entity.
- (ii) These companies are members of the tax-consolidated group.
- (iii) Tassal Operations Pty Ltd was established as a wholly-owned subsidiary on 19 September 2003.
- (iv) Aquatas Pty Ltd was acquired on 18 March 2005 pursuant to a Merger Agreement with Webster Limited.
- (v) On 28th June 2006 Tassal Operations Pty Ltd and Aquatas Pty Ltd as wholly-owned subsidiaries entered into a deed of cross guarantee with Tassal Group Limited (2006 Deed of Cross Guarantee) for the purpose of obtaining for these wholly-owned subsidiaries the benefit of relief from complying with certain accounting and audit requirements of the Corporations Act (including the requirements to prepare and lodge an audited financial report) granted by ASIC by an order made under sub-section 340(1) of the Corporations Act on 27th June 2006. The order made by ASIC relieved those wholly-owned subsidiaries from complying with the same provisions of the Corporations Act as they would be relieved from complying with if they had satisfied the conditions set out in ASIC Class Order 98/1418.
- (vi) De Costi Seafoods Pty Ltd was acquired on 1 July 2015 pursuant to a share sale agreement.
- (vii) On 1 June 2016, Tassal Operations Pty Ltd and Aquatas Pty Ltd as wholly-owned subsidiaries entered into a Deed of Variation to the 2006 Deed of Cross Guarantee with Tassal Group Limited.
- (viii) On 1 June 2016 De Costi Seafoods Pty Ltd entered into an Assumption Deed with Tassal Group Limited, on behalf of the Group entities to the Deed of Cross Guarantee, to join as a party to the 2006 Deed of Cross Guarantee (as varied).
- (ix) Relief is now pursuant to ASIC Class Order 98/1418.

Notes to the Financial Statements

for the year ended 30 June 2019

34. Segment Information

The Group has identified operating segments based on the internal reports that are reviewed by the chief operating decision maker (CODM) in assessing performance and in determining the allocation of resources. The CODM at Tassal is considered to be the Board of Directors.

The principal activities of the group are to farm, process, market and sell salmon and prawns and to procure, process, market and sell other seafood species.

Reportable segments are determined by the similarity of goods sold and the method used to distribute the goods. Information reported to the CODM is primarily focused on geographical regions. The Group's reportable segments under AASB 8 'Operating Segments' are therefore domestic and export markets for the sale of all seafood products.

Operational EBITDA is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

2019	Domestic Segment \$'000	Export Segment \$'000	Consolidated \$'000
Sales (1)	462,841	88,502	551,343
Segment operational EBITDA	101,296	11,013	112,309
Prawn Farm acquisition costs	-	-	(2,009)
Fair value adjustment of biological assets	-	-	4,613
Statutory EBITDA	-	-	114,913
Depreciation expense	-	-	(23,758)
Finance costs	-	-	(9,166)
Profit before income tax expense	-	-	81,989
Income tax expense	-	-	(23,550)
Profit for the period	-	-	58,439
(1) Sales Information	Salmon \$'000	Seafood \$'000	Total \$'000
Domestic wholesale	154,389	31,112	185,501
Domestic retail	234,556	42,783	277,340
Export	85,087	3,415	88,502
Total sales	474,032	77,311	551,343

2018	Domestic Segment \$'000	Export Segment \$'000	Consolidated \$'000
Sales (1)	398,417	75,516	473,933
Segment operational EBITDA	89,203	10,579	99,782
Contingent consideration	-	-	(588)
Fair value adjustment of biological assets	-	-	10,809
Statutory EBITDA	-	-	110,003
Depreciation expense	-	-	(23,025)
Finance costs	-	-	(7,662)
Profit before income tax expense	-	-	79,316
Income tax expense	-	-	(22,023)
Profit for the period	-	-	57,293
(1) Sales Information	Salmon \$'000	Seafood \$'000	Total \$'000
Domestic wholesale	153,005	26,977	179,982
Domestic retail	169,903	48,532	218,435
Export	72,558	2,958	75,516
Total sales	395,466	78,467	473,933

The Group had two customers who individually contributed more than 10% of revenue for the year. Included in the domestic market section of revenue from the sale of goods of \$462,841 thousand (2018: \$398,417 thousand) are sales of \$211,306 thousand (2018: \$184,256 thousand) which arose from sales to the Group's two largest customers.

35. Seasonality

The consolidated entity's principal activities, being principally the hatching, farming, processing, sales and marketing of Atlantic Salmon are not generally subject to material or significant seasonal fluctuations.

36. Related Party Disclosures

Identity of related parties

The following persons and entities are regarded as related parties:

(i) Controlled entities:

Tassal Operations Pty Ltd
 Aquatas Pty Ltd
 De Costi Seafoods Pty Ltd
 (Refer to note 33 for details of equity interests in the above controlled companies).

(ii) Associates:

Salmon Enterprises of Tasmania Pty Ltd
 (Refer to note 12 for details of equity interests in the above associates).

(iii) Key Management Personnel:

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

Transactions between related parties

(a) Key Management Personnel

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

Other than as disclosed herein, the Key Management Personnel are not aware of any relevant transactions, other than transactions entered into during the year with Directors and Executives of the Company and its controlled entities and with close members of their families which occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those, it is reasonable to expect the entity would have adopted if dealing at arm's length with an unrelated person.

(i) Loans

There have been no loans entered into during or since the end of the financial year to or from Key Management Personnel.

(ii) Compensation

Details of Key Management Personnel compensation are disclosed in the Remuneration Report and in note 5 to the financial statements.

(iii) Other transactions

Excluding contracts of employment, no Key Management Personnel have entered into a contract or other transactions with the Company or the consolidated entity during the financial year and there were no contracts or other transactions involving Key Management Personnel's interests subsisting at year end.

(b) Associates

(i) Purchase (sales) of goods and services

The consolidated entity entered into transactions with the following associate for the supply of smolt (juvenile salmon), ancillary related items and the sale of various goods and services. These transactions were conducted on normal commercial terms and conditions.

Entity	Consolidated 2019 \$	Consolidated 2018 \$
Salmon Enterprises of Tasmania Pty Ltd	8,836,024	7,396,468
	8,836,024	7,396,468

Notes to the Financial Statements

for the year ended 30 June 2019

37. Notes to the Statement of Cashflows

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<i>(a) For the purposes of the Statement of Cashflows, cash and cash equivalents includes cash on hand and in banks and short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cashflows is reconciled to the related items in the Statement of Financial Position as follows:</i>		
Cash and cash equivalents	24,566	23,821
Bank overdrafts	-	-
	24,566	23,821
<i>(b) Reconciliation of profit for the period to net cashflows from operating activities:</i>		
Profit for the period	58,439	57,293
Depreciation and amortisation of non-current assets	23,758	23,025
Depreciation – impact of allocation to cost of live and processed fish inventories	7,722	2,684
Net (increment)/decrement in biological assets	(10,285)	(6,837)
Net (increment)/decrement in biological assets at point of harvest	5,672	(3,972)
Share of associates' and jointly controlled entities' profits	(434)	47
Equity settled share-based payment	8,372	8,081
(Increase) / decrease in assets:		
Inventories (i)	14,143	(4,930)
Biological assets (i)	(33,125)	(37,242)
Trade and other receivables	1,731	5,879
Prepayments	(3,942)	1,442
Other current financial assets	60	(16)
Current tax asset	7,317	(10,151)
Other non-current financial assets	179	(68)
Other non-current assets	(231)	76
Increase / (decrease) in liabilities:		
Current trade and other payables	(3,022)	(2,456)
Other current financial liabilities	27	(88)
Current tax liability	-	(4,415)
Current provisions	1,793	1,161
Deferred tax balances	11,642	14,255
Non-current provisions	82	108
Net cash provided by operating activities	89,898	43,876

(i) Changes in inventories and biological assets are shown net of the profit impact of AASB 141 'Agriculture'.

37. Notes to the Statement of Cashflows (cont.)

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
(c) Financing facilities		
Secured revolving bank overdraft facility subject to annual review and payable at call		
- Amount used	-	-
- Amount unused	15,000	15,000
	15,000	15,000
Secured facilities with various maturity dates		
- Amount used	176,650	90,048
- Amount unused	54,794	78,618
	231,444	168,666
Revolving lease finance facilities subject to annual review with individual lease terms no greater than 10 years		
- Amount used	26,583	43,336
- Amount unused	26,417	26,864
	53,000	70,200

(d) Total liabilities from financing activities

	2018 \$'000	Cash flows \$'000	Non-cash changes			2019 \$'000
			Acquisition \$'000	Foreign exchange movement \$'000	Fair value changes \$'000	
Long-term borrowings	77,825	86,603	-	-	-	164,428
Short-term borrowings	21,228	(9,005)	-	-	-	12,223
Lease liabilities	34,331	(13,945)	6,196	-	-	26,582
Assets held to hedge long-term borrowings	(174)	-	-	-	(89)	(263)
Total liabilities from financing activities	133,210	63,653	6,196	-	(89)	202,970

38. Financial Instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements

(b) Financial risk management objectives and derivative financial instruments

The Group's activities expose it to a variety of financial risks which include operational control risk, market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cashflow interest rate risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase and sale of imported and exported supply of salmon; and
- interest rate swaps to mitigate the risk of rising interest rates.

The Group uses different methods to mitigate different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and aging analysis for credit risk.

There has not been any material change to the objectives, policies and processes for managing financial risk during the year or in the prior year.

Notes to the Financial Statements

for the year ended 30 June 2019

38. Financial Instruments (cont.)

(c) Capital risk management

The consolidated entity manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in notes 20 and 23, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 37(a), 25, 26 and 27 respectively.

Operating cashflows are significantly used to maintain and expand the consolidated entity's biological asset and property plant and equipment asset base, as well as to make the routine outflows of tax, dividends and timely repayment of maturing debt. The consolidated entity's policy is to use a mixture of equity and debt funded instruments in order to meet anticipated requirements.

Gearing ratio

The Board of Directors review the capital structure on a regular basis and in conjunction with the Group's formulation of its annual operating plan and strategic plan updates. The Group balances its overall capital structure through the payment of dividends, new shares and borrowings.

The gearing ratio at year end was as follows:

	Net debt to equity ratio	
	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Financial assets		
Debt (i)	203,233	133,384
Cash and cash equivalents	(24,566)	(23,821)
Net debt	178,667	109,563
Equity (ii)	633,858	586,003
Net debt to equity ratio	28.19%	18.70%

(i) Debt is defined as long and short term borrowings as detailed in notes 20 and 23.

(ii) Equity includes all capital and reserves.

(d) Market risk management

Market risk is the risk of loss arising from adverse movements in observable market instruments such as foreign exchange and interest rates.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rates and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange risk arising from purchases and sales in foreign currencies [refer note 38 (e)]; and
- interest rate swaps, options and collars to partially mitigate the risk of rising interest rates [refer note 38 (f)].

(e) Foreign currency risk management

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Forward foreign exchange contracts

The consolidated entity regularly assesses the need to enter into forward exchange contracts where it agrees to buy and sell specified amounts of foreign currencies in the future at a pre-determined exchange rate. The objective is to match the contracts with anticipated future cashflows from purchases and sales in foreign currencies, to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than two months.

The consolidated entity enters into forward exchange contracts to hedge all foreign currency plant and equipment purchase in excess of 250,000 Australian Dollars and regularly assesses the need to hedge foreign exchange sales on a committed basis.

38. Financial Instruments (cont.)

(f) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the consolidated entity by maintaining an appropriate mix between fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

Pursuant to the consolidated entity's Treasury Policy, the consolidated entity may use interest rate swap contracts to manage interest rate exposure. Under these contracts, the consolidated entity agrees to exchange the difference between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of rising interest rates and debt held.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Outstanding fixed contracts	Average contracted fixed interest rate		Consolidated notional principal value		Fair value	
	2019 %	2018 %	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
1 to 3 years	2.41	2.41	20,000	40,000	(263)	(174)
			20,000	40,000	(263)	(174)

The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

Interest rate sensitivity analysis

The sensitivity analyses in the following table have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The following table details the consolidated entity's sensitivity to a 1% increase and decrease in interest rates against the relevant exposures. A positive number indicates an increase in profit or loss where interest rates increase. For a reduction in interest rates against the respective exposures, there would be an equal and opposite impact on the profit or loss and the balances below would be reversed.

	Interest rate risk	
	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Financial Assets		
Cash and cash equivalents	246	238
Total Profit / (Loss)	246	238

(g) Liquidity risk management

Liquidity risk refers to the risk that the consolidated entity or the Company will not be able to meet its financial obligations as they fall due. The consolidated entity and the Company undertake the following activities to ensure that there will be sufficient funds available to meet obligations:

- prepare budgeted annual and monthly cashflows;
- measurement and tracking of actual cashflows on a daily basis with comparison to budget on a monthly basis;
- matching the maturity profile of financial assets and liabilities; and
- delivering funding flexibility through maintenance of a committed borrowing facility in excess of budgeted usage levels.

Included in note 37 (c) is a summary of additional undrawn facilities that the group has at its disposal to further reduce liquidity risk.

Liquidity and interest rate tables

The following tables detail the consolidated entity and Company's expected maturity for its financial assets and contractual maturity for financial liabilities.

Notes to the Financial Statements

for the year ended 30 June 2019

38. Financial Instruments (cont.)

Consolidated 2019	Average interest rate %	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial assets					
<i>Non-interest bearing:</i>					
Trade receivables	-	9,539	-	-	9,539
Other receivables	-	4,971	-	-	4,971
Other financial assets	-	824	2,473	43	3,340
<i>Variable interest rate:</i>					
Cash and cash equivalents	0.62%	24,566	-	-	24,566
<i>Fixed interest rate maturity:</i>					
Other financial assets	-	-	-	-	-
		39,900	2,473	43	42,416
Financial liabilities					
<i>Non-interest bearing:</i>					
Trade payables	-	79,547	-	-	79,547
Other payables	-	8,641	-	-	8,641
<i>Variable interest rate:</i>					
Cash advance	1.26 %	12,222	164,428	-	176,650
<i>Fixed interest rate maturity:</i>					
Interest rate swaps	2.41 %	263	-	-	263
Finance lease liabilities	4.44 %	11,018	15,565	-	26,583
Bank loans	-	-	-	-	-
Other loans	-	-	-	-	-
		111,691	179,993	-	291,684

Fair value hierarchy

Item	Fair value as at		Fair value hierarchy	Valuation techniques
	30/06/2019 \$'000	30/06/2018 \$'000		
Interest rate swaps	263	174	Level 2	Discounted cashflow. Future cashflows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties

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38. Financial Instruments (cont.)

Consolidated 2018	Average interest rate %	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial assets					
<i>Non-interest bearing:</i>					
Trade receivables	-	9,889	-	-	9,889
Other receivables	-	6,352	-	-	6,352
Other financial assets	-	884	2,652	43	3,579
<i>Variable interest rate:</i>					
Cash and cash equivalents	1.35%	23,821	-	-	23,821
<i>Fixed interest rate maturity:</i>					
Other financial assets	-	-	-	-	-
		40,956	2,652	43	43,641
Financial liabilities					
<i>Non-interest bearing:</i>					
Trade payables	-	75,693	-	-	75,693
Other payables	-	6,823	-	-	6,823
<i>Variable interest rate:</i>					
Cash advance	2.17%	12,222	77,826	-	90,048
<i>Fixed interest rate maturity:</i>					
Interest rate swaps	2.41%	174	-	-	174
Finance lease liabilities	4.34%	13,079	21,252	-	34,331
Bank loans	3.18%	9,005	-	-	9,005
Other loans	-	-	-	-	-
		116,996	99,078	-	216,074

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations or commitments resulting in financial loss to the consolidated entity. To help manage this risk, the consolidated entity has adopted the policy of only dealing with creditworthy counterparties in accordance with established credit limits and where appropriate obtaining sufficient collateral or other security generally via trade credit insurance arrangements. The overall financial strength of customers is also monitored through publicly available credit information.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

The consolidated entity maintains a provision account, described in the Annual Financial Report as an allowance for doubtful debts, which represents the estimated value of specific trade receivables that may not be recovered. A general provision is not maintained. Unallocated receivables are charged to the allowance for doubtful debts account.

(i) Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective fair values, determined in accordance with the summary of accounting policies disclosed in note 1 to these financial statements and having regard to likely future cashflows.

Notes to the Financial Statements

for the year ended 30 June 2019

39. Contingent Consideration

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Current	-	7,862
Non-current	-	-
	-	7,862

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Reconciliation of movement in Contingent Consideration		
Balance at the beginning of the financial year	7,862	14,964
Issue of shares pursuant to business acquisition earn-out arrangement	(7,958)	(7,689)
Contingent consideration expense	96	587
Balance at the end of the financial year	-	7,862

On 1 July 2015 Tassal Operations Pty Ltd acquired all of the issued shares in the capital of De Costi Seafoods (Holdings) Pty Ltd in exchange for consideration comprised of an upfront cash payment of \$50 million and contingent consideration in the form of an equity earn-out with an estimated fair value of \$16.787 million.

Under the contingent consideration arrangement, the Group is required to pay the vendors up to a maximum nominal amount of \$30 million, to be paid under certain conditions, over a three year period from 1 July 2015 to 30 June 2018 and settled via the issue of new shares in Tassal Group Ltd.

Performance of De Costi Seafoods for year 1 of the earn-out period (2016) resulted in the issue of 2.1 million shares in Tassal Group Ltd to the vendors with a fair value of \$8.55 million.

Performance of De Costi Seafoods for year 2 of the earn-out period (2017) resulted in the issue of 2.0 million shares in Tassal Group Ltd to the vendors with a fair value of \$7.69 million.

Performance of De Costi Seafoods for year 3 of the earn-out period (2018) resulted in the issue of 1.85 million shares in Tassal Group Ltd to the vendors with a fair value of \$7.96 million.

40. Acquisition of Business

On 14 September 2018 De Costi Seafoods Pty Ltd completed the acquisition of the Fortune Group prawn aquaculture business (Fortune Group) in exchange for consideration of \$31.95 million.

The Fortune Group business comprises three prawn farms located at Yamba, New South Wales; Proserpine, Queensland; and Mission Beach, Queensland. The acquisition represents one of the largest footprint prawn farming bases in Australia.

The Fortune Group business was acquired in order to enhance Tassal Group Ltd's seafood strategy and deliver synergies as follows:

- Expand vertical integration from salmon to include prawns
- Unlock further synergies in the seafood supply chain
- Geographic and species diversification
- Access a larger addressable market
- Maximise national distribution capabilities.

(a) Consideration transferred	Fortune Group \$'000
Cash	31,951
Total consideration	31,951

(b) Net cash outflow on acquisition	Year Ended 30 June 2019 \$'000
Cash applied from proceeds of borrowings	31,951
Add: costs incidental to the acquisition	2,009
Net cash outflow on acquisition	33,960

Acquisition related costs amounting to \$2,008,823 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year.

(c) Fair value of assets acquired	Fortune Group \$'000
Current Assets:	
Inventories	3,657
Non-current Assets:	
Land	17,487
Buildings	2,883
Property plant and equipment	336
Total assets acquired	24,363

(d) Goodwill arising on acquisition	Fortune Group \$'000
Consideration transferred	31,951
Less: fair value of total assets acquired	24,363
Goodwill arising on acquisition	7,588

Goodwill arose in the acquisition of the Fortune Group prawn aquaculture business as the consideration paid exceeded the fair value of the assets acquired. In addition, the consideration paid for the combination includes amounts in relation to the benefit of expected synergies including improved business relationships, enhanced vertical integration opportunities, category management, new product development and marketing and distribution capabilities.

These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Notes to the Financial Statements

for the year ended 30 June 2019

41. Parent Entity Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

	Company 2019 \$'000	Company 2018 \$'000
Statement of financial position		
Current Assets		
Current tax asset	2,834	10,151
Total Current Assets	2,834	10,151
Non-Current Assets		
Trade and other receivables	263,622	238,283
Other financial assets	28,119	28,119
Deferred tax assets	336	212
Total Non-current Assets	292,077	266,614
Total Assets	294,911	276,765
Current Liabilities		
Current tax liability	-	-
Total Current Liabilities	-	-
Total Liabilities	-	-
Net Assets	294,911	276,765
Equity		
Issued capital	288,814	271,082
Reserves	2,097	1,683
Retained earnings	4,000	4,000
Total Equity	294,911	276,765
Statement of comprehensive income		
Profit for the period	30,058	26,758
Other comprehensive income	-	-
Total comprehensive income	30,058	26,758

Directors' Declaration

The Directors declare that:

1. In the opinion of the Directors of Tassal Group Limited (the Company):
 - (a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
 - (b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
 - (c) the attached financial statements and notes set out on pages 35-78 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and of their performance, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Act 2001*.
2. At the date of this declaration, the Company and its subsidiaries are party to a deed of cross guarantee entered into for the purpose of obtaining for the Company's subsidiaries the benefit of relief from complying with certain accounting and audit requirements of the Corporations Act granted by ASIC by an order made under subsection 340 (1) of the Corporations Act on 27 June 2006 as varied by Deed of Variation to the 2006 Deed of Cross Guarantee dated 1 June 2016. Relief is now pursuant to ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor of each other company which is party to the deed payment in full of any debt owed by each other company.

In the Directors' opinion, there are reasonable grounds to believe that the Company and each of its wholly-owned subsidiaries, being the parties to the deed of cross guarantee as detailed in note 33 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.
3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2019.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



A. D. McCallum

Chairman

Sydney, this 19th day of August 2019

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Independent Auditor's Report to the members of Tassal Group Limited

Opinion

We have audited the financial report of Tassal Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

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

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 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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. These 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Valuation of biological assets</p> <p><i>Refer to Note 1(w) Biological Assets – Livestock and Note 9 Biological Assets</i></p> <p>The Group has biological assets valued at \$399.985 million as at 30 June 2019. These biological assets are measured at fair value less estimated point of sale costs.</p> <p>In order to determine the carrying value, Management prepare a discounted cash flow model which requires them to exercise significant judgement in respect of:</p> <ul style="list-style-type: none"> • the forecast harvest weights • future net market value to be achieved per kilogram of salmon; and • forecast costs (including feed costs, labour and overhead) to grow the salmon to a harvestable size. 	<p>With the support of our valuation specialists, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • obtaining an understanding of the process including key inputs (such as number and biomass of fish) used by management to determine fair value • assessing the appropriateness of the valuation methodology and testing the integrity of the discounted cash flow model • assessing and challenging the key assumptions in the model as follows: <ul style="list-style-type: none"> ○ forecast harvest weights by comparing to historical trends and the Board approved strategic plan and FY20 budget as well as harvest strategies in place ○ future net market value to be achieved per kilogram of salmon by comparing to recent historical sales prices, the Board approved strategic plan and FY20 budget as well as industry data ○ forecast costs (including feed costs, labour and overhead) to grow the salmon to a harvestable size by comparing to historical trends and the Board approved strategic plan and FY20 budget • assessing historical forecasting accuracy • challenging the appropriateness of the discount rate used in the discounted cash flow model • performing sensitivity analysis in relation to the key assumptions in the model; and • assessing the appropriateness of the disclosures to the financial statements

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**Independent Auditor's Report
to the members of Tassal Group Limited (continued)**

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Business Acquisition of the Fortune Group Prawn Farm</p> <p><i>Refer to Note 40 Acquisition of business</i></p> <p>On 14 September 2018, Tassal acquired the Fortune Group aquaculture business comprising three prawn farms located in New South Wales & Queensland for consideration for \$31.95 million (the "Transaction").</p> <p>Accounting for business acquisitions is complex, involves a number of significant judgements, and estimates as disclosed in Note 1(k) and Note 40.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Reading the purchase and sale contracts agreement to understand the terms and conditions of the transaction and evaluating management's application of the relevant accounting standards including determining whether the Transaction was in substance a business combination • Assessing whether the purchase price has been correctly determined, and appropriately allocated across the acquisition fair values of the net assets acquired • Challenging the appropriateness of the valuation methodologies adopted by management in determining fair value for the assets identified including assessment of independent property, plant and equipment valuation appraisals • Assessing how transaction costs have been accounted for; and, • Assessing the appropriateness of the disclosure of the Transaction to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's 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 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, 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 has 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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**Independent Auditor's Report
to the members of Tassal Group Limited (continued)**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Tassal 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.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Clive Mottershead
Partner
Chartered Accountant
19th August 2019

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Member of Deloitte Touche Tohmatsu Limited

Additional Securities Exchange Information

The following additional information is provided in accordance with the ASX Listing Rules as at 26 August 2019.

Number of holder of equity securities

Ordinary share capital (quoted)

203,186,162 fully paid ordinary shares are held by 11,372 shareholders. At a general meeting, every shareholder present in person or by proxy, attorney of representative has one vote on a show of hands and, on a poll, one vote for each fully paid share held.

Performance rights (unquoted) (information not held by Computershare)

761,862 performance rights granted pursuant to the Company's Long-term Incentive Plan are held by 25 employees. A performance right to ordinary shares does not entitle a participant under the Plan to voting rights, participation in new issues of securities or to receive dividends. In the event that shares are issued under the Plan at the end of the performance period pursuant to the performance rights, those shares will rank equally with existing ordinary shares, including entitlement to voting rights.

Distribution of holders of equity securities

Number of equity securities held	Ordinary Shares			Performance Rights		
	No. of holders	No. of shares	% of shares	No. of holders	No. of rights	% of rights
1 – 1,000	4,312	2,004,240	0.99	-	-	-
1,001 – 5,000	4,971	12,279,499	6.04	-	-	-
5,001 – 10,000	1,213	8,861,912	4.36	3	18,191	2.39
10,001 – 100,000	816	17,964,356	8.84	21	560,006	73.50
100,001 and over	60	162,076,155	79.77	1	183,665	24.11
Rounding			0.00	-	-	-
	11,372	203,186,162	100.00	25	761,862	100.00

The number of shareholders holding less than a marketable parcel of 114 fully paid ordinary shares on 26 August 2019 is 442 and they hold 11,476 fully paid ordinary shares.

Substantial shareholders – Computershare does not hold this information

The following organisations have disclosed a substantial shareholder notice to ASX during the financial year.

Name	Number of ordinary shares	% of voting power advised
Australian Super Pty Ltd (ceasing to be a substantial holder on 06/07/18)	8,723,973 (as of 04/10/17)	5.07%
Credit Suisse Holdings (Australia) Ltd on behalf of Credit Suisse Group AG and its affiliates Ltd (becoming and ceasing to be a substantial holder on 17/09/18)	19,742,905	11.20%
Credit Suisse Holdings (Australia) Ltd on behalf of Credit Suisse Group AG and its affiliates Ltd (becoming and ceasing to be a substantial holder on 18/03/19 – 21/03/19)	12,488,655	7.05%

Twenty largest holders of quoted ordinary shares

Rank	Name	Units	% of Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	51,808,182	25.50
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	35,719,965	17.58
3	CITICORP NOMINEES PTY LIMITED	24,423,239	12.02
4	ARGO INVESTMENTS LIMITED	8,483,340	4.18
5	NATIONAL NOMINEES LIMITED	8,193,671	4.03
6	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,365,419	1.66
7	BNP PARIBAS NOMS PTY LTD <DRP>	2,794,346	1.38
8	MR HERMAN ROCKEFELLER	2,648,181	1.30
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,592,299	1.28
10	RASIN HOLDINGS PTY LTD <G&A COSTI INVESTMENT A/C>	2,500,000	1.23
11	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	2,251,587	1.11
12	MUTUAL TRUST PTY LTD	2,201,885	1.08
13	AMP LIFE LIMITED	1,527,643	0.75
14	BRAZIL FARMING PTY LTD	1,393,181	0.69
15	MIRRABOOKA INVESTMENTS LIMITED	1,000,000	0.49
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	961,602	0.47
17	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	693,029	0.34
18	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	652,480	0.32
19	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	480,675	0.24
20	MR BRIAN GREGORY WRIGHT + MRS PATRICIA GLADYS WRIGHT <BG WRIGHT SERVICES SUPER A/C>	431,000	0.21
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		154,121,724	75.85
Total Remaining Holders Balance		49,064,438	24.15

On-market buy-back

There is no current on-market buy-back.

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