

TASSAL GROUP LIMITED

ABN 15 106 067 270

APPENDIX 4E

PRELIMINARY FINAL REPORT

for the Year ended 30 June 2017

(previous corresponding period: Year ended 30 June 2016)

RESULTS FOR ANNOUNCEMENT TO MARKET

	Year ended 30 June 2017	Year ended 30 June 2016	Period Movement up / (down) \$'000	Period Movement up / (down) %
Revenue (from all sources)	450,453	430,924	19,529	4.53
Profit after income tax expense	58,083	48,493	9,590	19.78
Net profit after income tax expense attributable to members	58,083	48,493	9,590	19.78

Dividends	Amount per security	Franked amount per security
Final dividend:		
- Current reporting period*	7.50¢	7.50¢
- Previous corresponding period	7.50¢	7.50¢
Interim dividend:		
- Current reporting period	7.50¢	7.50c
- Previous corresponding period	7.50¢	5.63c
Record date for determining entitlements to the Final Dividend	11 September 2017	
Date of payment of Final Dividend	29 September 2017	

* The Company's Dividend Reinvestment Plan will apply to the final dividend and a discount rate of 2% has been determined by the Directors. The financial effect of the Final Dividend in respect of the current reporting period will be recognised in the next reporting period because it has been declared subsequent to 30 June 2017.

NTA Backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	\$2.54	\$2.02

This report is based on accounts which have been audited. This report, and the accounts upon which it is based, use the same accounting policies.

Annual General Meeting

Place: Buckingham Room, Stamford Plaza, 111 Little Collins Street, Melbourne, Victoria

Date: Wednesday 25 October 2017

Time: 2:00pm



TASSAL GROUP LIMITED

ACN 106 067 270

Annual Financial Report
for the year ended
30 June 2017

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COMPANY DIRECTORY

Tassal Group Limited and Controlled Entities

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)

Michael Carroll, BAgSc, MBA, FAICD

Raelene Murphy, BBus CA GAICD

CHIEF EXECUTIVE OFFICER

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

COMPANY SECRETARY

Monika Maedler, BEc, LLB, FCIS

REGISTERED OFFICE*

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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
Dale Williams	Head of Sales and Marketing

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

Tassal Group Limited and Controlled Entities

1. REVIEW OF OPERATIONS

The Directors of Tassal Group Limited (**Tassal**) are pleased to present the Company's Appendix 4E: Full Year Report to 30 June 2017 (**FY2017**).

Tassal continues to execute on its strategy to be a world leading seafood company by leveraging:

- industry leading scientific know how;
- sustainable and efficient production;
- respect for the earth's resources and the communities in which it operates; and
- prudent commercial management.

As Tassal and the Tasmanian Salmon industry seek to grow salmon farming output, stakeholder interest will increase. Growth will also bring an element of risk to optimal growth and forecast plans, particularly as Tassal grows into newer regions or increases the level of farming in existing regions. Ensuring social license/community value and operational planning are co-dependent through strategic planning processes will be critical.

Operational overview

- **Favourable salmon pricing in wholesale and export markets:** Local and global salmon stocks were adversely affected by environmental factors in calendar year 2016 that lead to lower harvests, smaller sized fish and increased costs of growing, more than countered by significantly higher salmon prices. Prices are at historically high levels for the domestic wholesale market, and are anticipated to continue in FY2018. Export pricing, which is volatile, was also on average higher than previous periods.
- **Favourable growing conditions allowed a focus on optimising biomass and size:** Salmon was kept in the water longer to optimise growth and deliver optimised margins in FY2017. Tassal has achieved a 'step change' in its underlying biomass and fish size with fish size harvested by the end of FY2017 being circa 4.80kg Head on Gutted (**HOG**). Underlying biomass and fish size is expected to continue to improve in FY2018 and beyond. Ultimately, fish size matched to sales market demand both domestically and internationally to support sales mix flexing will optimise the contribution margin Tassal achieves.
- **Sales mix managed to optimise returns and deliver growing earnings:** During FY2017, Tassal successfully lowered retail sales to around 51.9% of total sales (FY2016: 68.3%). The combination of high wholesale/export pricing and favourable sales mix allowed Tassal to optimise margins despite the increased cost of growing. Operational EBITDA was up 8.3% to \$88.97 million (FY2016: \$82.18 million) even though Salmon volume sold was down 6.2%.
- **De Costi Seafoods driving seafood sales and category growth:** Focus on highly innovative product and packaging formats, together with higher margin products is delivering results. EBITDA for De Costi Seafoods as a standalone operation was up 11.4% to \$12.7 million (FY2016: \$11.4 million). Given De Costi Seafoods' FY2017 result, Tassal will issue 2 million shares under the provisions of the Contingent Consideration. The issue of the shares under the earn-out equates to 60% of the maximum possible earn-out for FY2017, year two of a three year earn-out (FY2016: 2.1 million shares issued equating to 65.6% of the maximum possible earn-out for FY2016).
- **Increased review and scrutiny of salmon farming in Tasmania:** Tassal welcomes the increased scrutiny into its industry, which by and large has been positive and constructive with respect to the communities in which Tassal operates, the scientific community, Government, the Company's employees, customers, suppliers and shareholders. As a business and industry we have a lot to be proud of in terms of the sustainability and health benefits of salmon as a global protein, world standard accreditations, high level of innovation, continued investment in farming and processing in Australia, and the economic contribution brought to Tasmania.
- **Maintained Aquaculture Stewardship Council (ASC) certification across all Tassal's operations for harvest fish:** ASC is the standard with the most independent processes, the best international recognition and the greatest community and consumer acceptance. Maintaining this level of standard is challenging. Tassal also renewed and strengthened its partnership with World Wildlife Fund-Australia (**WWF**).
- **Macquarie Harbour is recovering:** In late calendar year 2016, conditions at Macquarie Harbour required careful response and adaptation. The challenges at Macquarie Harbour are complex and Tassal takes its responsibilities seriously – as clearly seen by the Company's acknowledgement of unforeseen environmental non-compliances over the summer of 2016-17 at one of its marine leases in Macquarie Harbour. As predicted all leases in Macquarie Harbour have now returned to compliance from an 'out of compliance' perspective and in-fauna abundance is returning.
- **Tassal continues to evolve practices:** Tassal is determined to ensure the health of Macquarie Harbour remains a priority. Lessons have been learnt from this experience that will improve future performance, not just in Macquarie Harbour, but across Tassal's operations. What happened in Macquarie Harbour was unexpected and at odds with Tassal's record of sustainable production, science-based processes and careful stewardship that saw Tassal achieve consistently high compliance ratings that were of global leadership standard. Successful implementation of the waste capture system at Macquarie Harbour is allowing Tassal to ensure it can both maintain its operational capacity and importantly, ensure that the system supports improved environmental and biological outcomes.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

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- **Maintained commitment to sustainability reporting:** Tassal has been reporting to the Global Reporting Initiative (**GRI**) framework since 2012 and in the 2017 Sustainability Report will further enhance its climate related disclosure.
- **Successful capital raising:** \$82.3 million (net of fees) was raised in March 2017. These funds will support a range of working capital and capital investment initiatives that are expected to deliver an additional 2,500 – 3,000 HOG tonnes of harvested salmon each year to FY2021. Around \$270 million of forecast capital expenditure to FY2021 is expected to deliver returns exceeding current levels.

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 FY2017 were:

Full Year ended 30 June 2017	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Result \$'000
Revenue (from all sources)	\$ 450,453	\$ -	\$ 450,453	\$ -	\$ 450,453
EBITDA	\$ 114,553	\$ 6,727	\$ 121,280	\$ (32,312)	\$ 88,968
EBIT	\$ 93,618	\$ 6,727	\$ 100,345	\$ (32,312)	\$ 68,033
Profit before income tax expense	\$ 85,556	\$ 6,727	\$ 92,283	\$ (32,312)	\$ 59,971
Income tax expense	\$ (27,473)	\$ -	\$ (27,473)	\$ 9,694	\$ (17,779)
Net profit after income tax expense	\$ 58,083	\$ 6,727	\$ 64,810	\$ (22,618)	\$ 42,192

This compares to the following FY2016 results:

Full Year ended 30 June 2016	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Result \$'000
Revenue (from all sources)	\$ 430,924	\$ -	\$ 430,924	\$ -	\$ 430,924
EBITDA	\$ 97,294	\$ -	\$ 97,294	\$ (15,111)	\$ 82,183
EBIT	\$ 76,284	\$ -	\$ 76,284	\$ (15,111)	\$ 61,173
Profit before income tax expense	\$ 68,910	\$ -	\$ 68,910	\$ (15,111)	\$ 53,799
Income tax expense	\$ (20,417)	\$ -	\$ (20,417)	\$ 4,533	\$ (15,884)
Net profit after income tax expense	\$ 48,493	\$ -	\$ 48,493	\$ (10,578)	\$ 37,915

Statutory results

Biological assets are valued under accounting standard AASB 141 'Agriculture' (**SGARA**). Under this accounting standard biological assets are adjusted (up or down) at the end of each period. The SGARA calculation is applicable to Tassal's Salmon biological assets and allows the future value of those biological assets to be determined. Salmon net market value and volume are the key sensitivities underpinning this valuation.

The key FY2017 statutory financial results were:

- **EBITDA** up 17.8% to \$114.6 million (FY2016: \$97.3 million)
- **EBIT** up 22.7% to \$93.6 million (FY2016: \$76.3 million)
- **NPAT** up 19.8% to \$58.1 million (FY2016: \$48.5 million).

Underlying results

Underlying results adjust a company's statutory profit to reflect the ongoing business activities of the company.

On 1 July 2015, Tassal acquired 100% ownership of De Costi Seafoods, for an acquisition consideration comprised of two components:

- Up-front Consideration: \$50 million cash; and
- Contingent Consideration: earn-out with a maximum nominal amount of \$30 million, to be paid, under certain conditions, over the three-year period comprising FY2016 - FY2018 and settled via the issue of new shares in Tassal.

The successful integration and ongoing returns from the De Costi Seafoods acquisition have resulted in a revision of previously provided Contingent Consideration. The Contingent Consideration at Acquisition was \$16.8m. Based on the most recent assessment for forecast earnings from De Costi Seafoods for FY2018, an assessment has been made for the earnout accounting, and an amount of \$6.7 million has been added to the Contingent Consideration. The \$6.7m has been reported as an expense as part of the Statutory results, and this amount is represented as a non-recurring item for FY2017.

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Operational results

Reflecting the underlying performance of the business and without the impact of the SGARA calculation (which accounts for the future value of salmon), the key FY2017 operational results (vs FY2016) were:

- **Revenue** up 4.5% to \$450.5 million (FY2016: \$430.9 million)
- **EBITDA** up 8.3% to \$89.0 million (FY2016: \$82.2 million)
- **EBIT** up 11.2% to \$68.0 million (FY2016: \$61.2 million)
- **NPAT** up 11.3% to \$42.2 million (FY2016: \$37.9 million)

Operating cashflow

Operating Cashflow (A\$m)	2017	2016
Operating cashflow	51.36	50.22
Investing cashflow	(49.02)	(98.53)
Financing cashflow	15.70	47.51
Net increase/(decrease) in cash held	18.04	(0.80)

Overall, the cashflow result for Tassal reflects the strength of its underlying business and operational strategy.

Tassal continues to focus on positive cash generation from operations to enable investment in fish growth from both a number and weight perspective, while undertaking a responsible capital spend to underpin sustainable growth in long-term returns.

Tassal's operating cashflow in FY2017 of \$51.4 million was slightly higher than FY2016 (\$50.2 million). The positive result reflects prudent cashflow management as Tassal continues to invest in growing salmon biomass. The standing biomass (i.e. live biomass) at 30 June 2017 was 21,760 tonnes vs. 30 June 2016 at 15,164 tonnes – a significant increase of 43.5%.

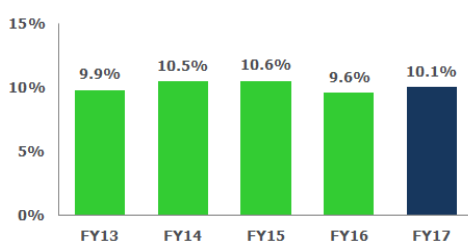
In addition, Tassal has actively managed its balance sheet to reduce gearing with the execution of a successful capital raising.

Financial returns

Tassal's FY2017 performance reflects the Company's clear focus on optimising fish growth and margins. The focus on fish size allowed Tassal to match fish to sales market demand both domestically and internationally to support sales mix – and this in turn optimised margins (through increasing overall average sales price achieved):

- Statutory return on assets (EBIT/Total Assets) 10.8% (FY2016: 10.2%)
- Statutory basic earnings per share (cents) \$0.37 (FY2016: \$0.33)
- Operational return on assets 10.1% (FY2016: 9.6%)
- Operational basic earnings per share (cents) \$0.27 (FY2016: \$0.26)

Operational ROA for last 5 years has demonstrated solid financial returns



The Company's balance sheet continued to remain strong:

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- Gearing ratio, as represented by net debt to equity, decreased to 12.4% (30 June 2016: 33.5%) – underpinned by a successful capital raising and continued prudent management of cashflow
- In line with the decrease in Gearing ratio, the funding ratio, as represented by net debt + receivable purchase facility to equity, decreased to 24.3% (30 June 2016: 44.6%).

Dividend declared and DRP

Reflecting the Company's balance sheet, operating cashflows growth outlook and increased shares on issue, the Directors of Tassal declared a final dividend for FY2017 of 7.50 cps fully franked (1H17: 7.50 cps, 100% franked). The total dividend for FY2017 was 15.0 cps fully franked (FY2016: 15.0 cps; 87.5% franked).

The Company's Dividend Reinvestment Plan (DRP) will apply to the FY2017 final dividend, and shareholders electing to participate in the DRP will receive a 2% discount. It will not be underwritten.

The record and payment dates for the FY2017 final dividend are 11 and 29 September 2017, respectively.

Business Performance – Right to Operate

Tassal's strategic priorities supporting the Company's Right to Operate are:

- **Environment** - Maintaining world leading environmental accreditation that is independently validated
- **Societal/Community Value** - Increasing investment and promotion of societal/community value credentials, with a dedicated Community Foundation framework, with appropriate engagement and perception metrics in place to drive societal value
- **People Safety** - Continuing to invest in our people and drive towards zero harm

1. Environment

Tassal has excellent environmental credentials and compliance across its operations:

- Tassal is independently assessed by both WWF-Australia and ASC. Maintaining ASC certification is a priority, being very difficult to obtain and maintain. Tassal was the first salmon producer globally to achieve ASC certification across its entire business – and remains one of only two producers globally (Petuna Aquaculture Group Pty Limited being the other) that has ASC certification across all harvest sites.

Tassal has consistently stated that it would be ideal if all three salmon growers in Tasmania were able to attain ASC certification across their entire businesses. Should this happen, it would be a global first to have an entire salmon industry ASC certified for all its harvest fish.

- Tassal's approach to sustainability encompasses a balance of environmental, financial, operational and societal/community value principles and practices. Tassal 'owns' its environmental outcomes, and continues to drive adaptive management and practices through science and innovation.
- Tassal has 100% 'out of lease' compliance on all its leases - with all leases at Macquarie Harbour now confirmed by the Environment Protection Authority (**EPA**). Specifically with respect to Macquarie Harbour:
 - The Waste Capture System, approved by the EPA for Macquarie Harbour is an excellent solution for safeguarding environmental conditions in low energy sites. It is a clear example of industry innovation that seeks to consistently lower environmental footprint. Waste Capture Systems have been installed by Tassal on its cages with biomass above 13 tonnes per hectare, and also on a number of the cages below this level of tonnage. All waste will be disposed of at an approved facility, or at a beneficial re-use site, with EPA approval
 - Recent surveys (March, April and May 2017) have shown signs of biological recovery in the benthic communities demonstrating that Macquarie Harbour is not a dead zone and is responding well to the changing natural conditions
 - Tassal is committed to maintaining a sustainable operation in Macquarie Harbour.

2. Societal/Community Value

Tassal will continue to invest in the communities in which it operates

Tassal operates within shared waterways and there has always been a natural tension between the economic and socio-economic benefit of fish farming vs. people's amenity and the environment. We understand that there is enormous 'trust' placed by communities in Tassal to operate responsibly and ensuring sustainability remains core to our business principles is key.

As a business and industry we have a lot to be proud of in terms of sustainability and health benefits of salmon as a global protein, Tassal's world standard accreditations, high level of economic contribution to Tasmania, high level of innovation and continued investment in farming and processing in Tasmania and Australia. While Tassal strives for 100% compliance across its operations, sometimes this is not achieved. However, Tassal maintains a Tasmanian industry-leading 95%+ compliance level.

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With ongoing growth, both Tassal, and the industry it operates in, will face more public scrutiny. This is welcomed, with learnings acknowledged, continuous improvement applied and adaptive management implemented. For this reason, Tassal set out 5 years ago to achieve ASC certification – the standard with the most independent processes, best international recognition and greatest community and consumer acceptance.

Tassal has – and will continue to invest – in the communities we directly operate in and also communities we reach through our broader supply chain. In summary, we achieved this:

- externally through direct investment and partnerships with schools and other educational institutions, community environmental, sporting, health and other groups; and
- internally through staff training in safety, numeracy, literacy, drugs, alcohol and domestic violence.

Tassal continues to integrate applicable United Nations' Sustainable Development Goals into its corporate strategy and implementation plans and the Company see these as important in its sustainability journey:

- SDG8: Decent Work and Economic Growth (Promote inclusive and sustainable economic growth, employment and decent work for all)
- SDG9: Industry, Innovation and Infrastructure (Build resilient infrastructure, promote sustainable industrialisation and foster innovation)
- SDG11: Sustainable Cities and Communities (Make cities and human settlements inclusive, safe, resilient, and sustainable)
- SDG12: Responsible Consumption and Production (Ensure sustainable consumption and production habits)
- SDG13: Climate Action (Take urgent action to combat climate change and its impacts)
- SDG17: Partnerships for the Goals (Strengthen the means of implementation and revitalise the global partnership for sustainable development)

3. People Safety

Tassal's Board has endorsed a health and safety strategy which has a **Can-do Safely** culture at its core – **Zero Harm for Everyone, Everywhere**.

Tassal's Workplace Health & Safety (**WHS**) Management System provides a fully integrated, functional and accredited (ISO audited) framework for our workers to carry out their obligations under the WHS Act 2012. Driving this system is a robust compliance process that measures both WHS Compliance to the Law and to our internal driving safety culture scorecards (audited).

In parallel to the compliance process is the driving the safety culture system – we continue to focus on a relentless drive to ensure a truly interdependent safety culture at Tassal. 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.

Overall, Tassal's safety performance improved over FY2017. From an external perspective, Tassal's safety achievements would be considered excellent. However, until the Company delivers its core value of Zero Harm, Tassal will rank itself as operating at an **unacceptable level**. Moving forward the focus is to drive TRIFR to below 5 by 2020.

KPIs	FY16	FY17
LTIFR	0.0	0.5
MTIFR	24.5	10.9
TRIFR	24.5	11.4
Compliance Scorecard	96%	96%
Driving Safety Culture Scorecard	N/A	92%

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

Business fundamentals and risks

Tasmanian salmon producers are held in the highest esteem by their global peers, adopting world's best practice farming techniques and a dedication to science, innovation and quality. It is appropriate for questions to be raised on traceability, transparency, science and adaptive management – because these are at the heart of what our business must achieve day in, day out, to maintain ASC certification, WWF-Australia partnership and deliver on sustainability.

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Tassal has understood for many years that it can't make up its own standards, nor choose its own science, but rather submit itself to expert scrutiny, assessment and evaluation. That is why Tassal sought and actively seeks to maintain ASC certification.

Obtaining and maintaining ASC certification, which provides consumers and the public full traceability and transparency, is difficult. ASC audits are comprehensive and review Tassal's entire operation across 154 individual compliance criteria. It is not just marine farms that the ASC assesses, but also hatcheries, workplace health and safety systems, human resources and the Chain of Custody from harvest through to distribution and sale. Community and stakeholder engagement is also a requirement of each audit, with feedback sought through community meetings and written submissions.

Nothing less than ASC certification, embracing world's best practice, can be claimed as the most credible endorsement of sustainability for farmed salmon. Just as the science from the leading independent institutions like the Commonwealth Scientific and Industrial Research Organisation (**CSIRO**) and Institute for Marine and Antarctic Studies (**IMAS**) (Tasmania) is the bedrock for how the industry is managed and regulated.

Tassal continues to successfully mitigate (where possible) risk at both the sales & marketing (customer and consumer) and growing ends of its business. However, Tassal is still an agricultural stock and continues to focus on further risk mitigation in the hatching and growing ends of its business. Tassal's risk mitigation strategies counter factors external to management's control including:

- Disease – potential of emerging viral diseases
- Marine – access and approval of new sites
- Environmental – predicting environmental conditions and adapting to environmental challenges

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:

- Summer and autumn water temperatures and the impact on the rate of fish growth and survival – Tassal has an advanced Selective Breeding Program (**SBP**) in place and is focused on growing a fish that is more resilient to higher water temperatures.
- Amoebic Gill Disease (**AGD**) remains a significant issue – the introduction of the harvest strategy, together with fish grown in Macquarie Harbour (where there is no AGD) and with all fish now from the SPB have greatly assisted in mitigating this risk.
- Seals remain a significant challenge and are attracted to Salmon farms – Tassal monitors seals and seal interactions extremely closely, and has an evolving strategy to minimise seal interaction with the Company's pens. Ultimately we believe that our new sanctuary pens will provide Tassal with the best risk mitigation for seals – and we are proactively rolling them out with zero seal breaches to date.
- Community activism is an increasing risk – however, it is not unique to aquaculture and is part of doing business in many industries. However, given the size and nature of Tassal's operations in Tasmania it does represent specific challenges and a proactive engagement strategy has been defined. A Societal/Community Value Program has also been developed.
- Ability to grow to forecasts based on current technologies, methodologies, and production sites (including new prospects) - it would be naïve to believe that the recent issues and the root of the problems in the Tasmanian salmon industry is just 'activism'. Tassal believes that recent issues are a symptom of the industry 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, and we believe we need to continue to learn, adapt and innovate as we move forward.

Positive outlook for FY2018 – Right to Grow

Overall, successful aquaculture and its growth is about finding common ground on shared values around environment, operational, financial and societal/community value... and for salmon, respecting the use of shared waterways.

Quality science needs to permeate every aspect of aquaculture. Scientific modelling along with baseline studies remain the best tools to decide where to farm, at what scale, and under what regulatory conditions and process refinements.

Science is also critical to how Tassal can adapt its fish stock and farming practices to address climate change – to introduce restorative or compensatory processes, such as seaweed farming to take nitrogen out of the seawater, trials aimed at controlling invasive sea urchins, and developing new cage designs for farming in high-energy offshore sites and improving netting solutions to hold out hungry seals.

Farmed Atlantic Salmon from Tasmania is Australia's most-purchased Seafood, and Salmon aquaculture is one of Tasmania's anchor industries. Further industry growth needs to happen in ways that won't cause any lasting harm to the environment, and that will add value to communities. Achieving this requires ever-better science, relentless adaptation and an expanding mix of partnerships. Tassal is ready to meet this challenge.

Tassal's Right to Grow strategic priorities are:

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- Increasing volume to position Tassal with the superior biomass in the market, optimal margins (whether through price and/or cost out) and greatest scale, to capture the increasing demand for sustainable protein in Australia and internationally
- Enhancing salmon growing performance on the back of Tassal's SBP to reduce operating costs and improve returns
- Maintaining existing channels to market and further enhancing the Export strategy (i.e. Asia) as Tassal grows volume in front of the domestic market
- Continuing to improve traceability and freshness of products given consumer trends
- Positioning now for the next wave of growth, given typical capital cycle lead times of up to 5 years.

Salmon farming is a rolling process with 3 year working capital and 5 year capital cycles. With Tassal in a growth mode executing its Strategic Plan, funding has been required not only for the growth of the current production of fish and replacement capital expenditure, but also to fund expansionary fish production and infrastructure assets.

The favourable salmon pricing and growing conditions experienced in FY2017 are expected to continue in FY2018. However, this is not without risk, with both domestic and global pricing at their highest points for a considerable period of time.

The key initiatives for FY2018 are set out below:

Overview of Key Initiatives

Increase Fish Size	<ul style="list-style-type: none"> • Improve fish harvest size to 5kg hog supported by increased working capital funding, primarily for feed • Fish size matched to sales market demand both domestically and internationally to support sales mix and to ultimately optimise margins (whether sales price or cost out)
Increase Fish Performance – Survival & Feed Conversion Ratio	<ul style="list-style-type: none"> • Accelerate rollout of improved net technology, reducing wildlife interactions and improving survival (target 90%) <ul style="list-style-type: none"> ◦ New pens, grow-out nets and wildlife nets to provide salmon an appropriate sanctuary for the fish • Implementation of new state of the art fish feeding barges and technologies, to improve feed conversion rates and unit costs of feeding
Farming Expansion in Okehampton and Oceanic Sites in Storm Bay	<ul style="list-style-type: none"> • Okehampton (Triabunna) approved – fish to be stocked in FY18 • Final stages of EIS development for the West of Wedge Oceanic Farming Expansion, targeting approval in 2017 with stocking of Stage 1 in early 2018 • Port Arthur lease (current lease) to support initial salmon stocking for ultimate growout at West of Wedge • Supporting sustainable growth in harvest biomass – to fulfil demand growth in domestic per capita consumption and allow access to key export opportunities
Processing Expansion	<ul style="list-style-type: none"> • Further investment in production automation and processing capacity across De Costi and Tassal's Salmon operations to meet increased demand and to lower costs

Fundamentally, investing in both fish size and survival is expected to deliver long term improved financial returns:

- Selective Breeding Program is delivering improved growth and reductions in AGD
- Current growing conditions are favourable – fish size is being optimised to support sales mix and ultimately optimise contribution margin
- With a step change in underlying biomass, Tassal is well positioned to support investment in feeding and growing salmon
- Investment in biomass is expected to drive future earnings growth
 - Optimises sales channel mix (and revenue) between the domestic and export markets (bigger fish size)
 - Delivers scale and operational cost efficiencies – feed is circa 55%-60% of the cost of a fish with the balance of costs across the supply chain being predominantly fixed
- Strong balance sheet provides Tassal with the operational and financial flexibility to support investment in biomass and lower Tassal's risk profile.

Tassal expects to continue growing revenues and operational earnings in FY2018.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

Tassal Group Limited and Controlled Entities

On behalf of the Directors.



A. D. McCallum
Chairman



M. A. Ryan
Managing Director & Chief Executive Officer

Hobart, this 23rd day of August 2017

DIRECTORS' REPORT

Tassal Group Limited and Controlled Entities

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 2017.

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
(Director since 4 June 2014)

Ms Raelene Murphy
(Director since 9 September 2015)

2. PRINCIPAL ACTIVITIES

During the year the principal activities of the consolidated entity were a vertically integrated Salmon grower and Salmon and Seafood processor, seller and marketer.

3. DIVIDENDS

Since the end of the 2017 financial year the following dividends have been paid or declared:

- a. On 19 August 2016, the Directors declared a final fully franked dividend of 7.50 cents per ordinary share amounting to \$11.208 million in respect of the financial year ended 30 June 2016. The record date for determining entitlements to this dividend was 9 September 2016. The final dividend was paid on 29 September 2016.
- b. On 22 February 2017 the Directors declared an interim fully franked dividend of 7.50 cents per ordinary share amounting to \$12.590 million in respect of the half year ended 31 December 2016. The record date for determining entitlements to this dividend was 15 March 2017 with a payment date of 31 March 2017.
- c. On 23 August 2017, the Directors declared a final fully franked dividend of 7.50 cents per ordinary share amounting to \$12.742 million in respect of the financial year ended 30 June 2017. The record date for determining entitlements to this dividend is 11 September 2017. The final dividend will be paid on 29 September 2017. The Company's Dividend Reinvestment Plan will apply to the final dividend and a discount rate of 2% has been determined by the Directors.

The final dividend for the year ended 30 June 2017 has not been recognised in this Annual Financial Report because it was declared subsequent to 30 June 2017.

4. REVIEW OF OPERATIONS

The consolidated net profit after tax for the financial year was \$58.083 million. (For the financial year ended 30 June 2016: \$48.493 million).

The consolidated entity's revenue was \$444.927 million compared with \$425.416 million for the financial year to 30 June 2016.

Earnings before interest and tax (**EBIT**) was \$93.618 million compared with \$76.284 million for the financial year to 30 June 2016.

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

Earnings per share (**EPS**) on a weighted average basis was 37.28 cents per share compared with 32.95 cents per share for the financial year to 30 June 2016.

Further details on review of operations and likely future developments are outlined in the Chairman's and CEO's Report on pages 4 – 11 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 statements).

DIRECTORS' REPORT cont.

Tassal Group Limited and Controlled Entities

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.

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 4 - 11 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.tassal.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 30 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

DIRECTORS' REPORT cont.

Tassal Group Limited and Controlled Entities

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 359,148 (2016: 355,460) 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.

58,395 (2016: 139,534) performance rights vested on 30 June 2017.

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

DIRECTORS' REPORT cont.

Tassal Group Limited and Controlled Entities

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 and a Non-Executive Director of Medical Developments International 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 for 16 years. 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 Member of the Health & Safety, Environment & Community Committee (as from 24/05/17)	320,561 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, Regis Healthcare 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	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 Limited and Mulgowie Fresh Pty Ltd and a Non-executive Director of River Sands Ltd.	Independent Non-executive Director Member of the Remuneration and Nominations Committee Chairman of the Health & Safety, Environment & Community Committee (as from 24/05/17)	34,468 Ordinary Shares
MICHAEL CARROLL BAGSc, MBA, FAICD	Michael has worked for a range of food and agricultural businesses in a board, advisory and executive capacity. He is a director of Sunny Queen Pty Ltd, Rural Funds Management Ltd (as responsible entity for Rural Funds Group), Select Harvests Limited, Paraway Pastoral Company, Rural Funds Poultry and Chairman of the Australian Rural Leadership Foundation Former board positions include Queensland Sugar Ltd, Rural Finance Corporation, the Geoffrey 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 Member of the Health & Safety, Environment & Community Committee (as from 24/05/17)	23,430 Ordinary Shares
MARK RYAN (Managing Director and Chief Executive Officer) B.Com, CA, MAICD, FAIM	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), Seafood Industry Australia and Chairman of the Macquarie Point Development Corporation. 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.	Managing Director and Chief Executive Officer	360,378 Ordinary Shares 185,723 Performance Rights
RAELENE MURPHY BBus CA GAICD	Raelene Murphy was formerly a Managing Director at KordaMentha, specialising in strategic, financial and operational advisory services. She has over 30 years' experience in strategic, financial and operational roles in both industry and in professional services as a Partner and Managing Director. Her Industry experience includes FMCG, supply chain, logistics and construction. While in her professional service career she specialised in restructuring and Merger and Acquisition integration. Raelene was the CEO of the Delta Group and has had various senior executive roles in the Mars Group. Raelene is currently a Non-executive Director of Bega Cheese Limited, Service Stream Limited, Altium Limited, Stillwell Motor Group and Deputy Chairman of DOXA Youth Foundation.	Independent Non-executive Director Chair of the Audit and Risk Committee	Nil shares

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.

DIRECTORS' REPORT cont.

Tassal Group Limited and Controlled Entities

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 Incitec Pivot Limited Cann Group Limited	Throughout Throughout until 19 December 2013 As from 4 May 2017
T. Gerber	Sydney Airport Holdings Limited Vicinity Shopping Centres CIMIC Group Regis Healthcare	Throughout As from April 2014 As from 11 June 2014 As from October 2014
M. Ryan	-	None held
C. Leon	-	None Held
M. Carroll	Rural Funds Group (Director of Rural Funds Management, the responsible entity for Rural Funds Group) Select Harvests Limited Rural Funds Poultry (NSX)	Throughout Throughout As from 15 April 2010
R. Murphy	EVZ Limited Bega Cheese Limited Service Stream Limited Altium Limited	As from September 2012 to March 2016 As from June 2015 As from November 2015 As from September 2016

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, 9 Board meetings, 2 Remuneration and Nominations Committee meetings and 5 Audit and Risk Committee meetings were held. There were no meetings held for the Health & Safety, Environment & Community Committee in the full year ended 30 June 2017 as this Committee was only established 24 May 2017.

Director	Board of Directors meetings		Audit and Risk Committee meetings		Remuneration and Nominations Committee meetings		Health & Safety, Environment & Community Committee meetings	
	Number held	Number attended	Number held	Number attended	Number held	Number attended	Number held	Number attended
T. Gerber	9	9	5	5	2	2	*	*
A. McCallum	9	9	*	*	2	2	-	-
M. Ryan	9	9	*	*	*	*	*	*
C. Leon	9	9	*	*	2	2	-	-
M. Carroll	9	9	5	5	*	*	-	-
R. Murphy	9	8	5	5	*	*	*	*

(* not a committee member)

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.

DIRECTORS' REPORT cont.

Tassal Group Limited and Controlled Entities

20. REMUNERATION REPORT - AUDITED

(a) Introduction

This Remuneration Report outlines the Company's overall reward strategy for the year ended 30 June 2017 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 2017.

At the beginning of the financial year the existing executive group was split into two sub-groups, a strategy group comprising the four functional key areas of the business – Aquaculture, Processing/Supply, Sales and Finance, and an executive group comprising members of the existing executive team. The members of the strategy group remain as members of the broader executive team. The four members of the strategy group work directly with the Managing Director and Chief Executive Officer in planning, directing and controlling the activities of the Company. Accordingly, only the Managing Director and Chief Executive Officer and members of the strategy group are considered to be Key Management Personnel for the purposes of remuneration reporting from the 2017 financial year onwards.

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 2018.

(b) Remuneration Philosophy

The Remuneration and Nominations 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 and Nominations 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 2017 and the previous four financial years are summarised below.

DIRECTORS' REPORT cont.

Tassal Group Limited and Controlled Entities

	30-June-2017	30-June-2016	30-June-2015	30-June-2014	30-June-2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue (from all sources)	\$ 450,453	\$ 430,924	\$ 309,790	\$ 266,331	\$ 272,805
Net profit before tax	\$ 85,556	\$ 68,910	\$ 70,875	\$ 58,061	\$ 47,502
Net profit after tax	\$ 58,083	\$ 48,493	\$ 49,992	\$ 41,061	\$ 33,457

	30-June-2017	30-June-2016	30-June-2015	30-June-2014	30-June-2013
Share price:					
Share price at the start of the year	\$ 3.98	\$ 3.33	\$ 3.86	\$ 2.45	\$ 1.33
Share price at the end of the year	\$ 3.81	\$ 3.98	\$ 3.33	\$ 3.86	\$ 2.45
Dividend per share:					
Interim dividend	\$ 0.0750	\$ 0.0750	\$ 0.0700	\$ 0.0550	\$ 0.0450
Final dividend	\$ 0.0750	\$ 0.0750	\$ 0.0700	\$ 0.0600	\$ 0.0500
	\$ 0.1500	\$ 0.1500	\$ 0.1400	\$ 0.1150	\$ 0.0950
Earnings per share:					
Basic	\$ 0.3728	\$ 0.3295	\$ 0.3405	\$ 0.2803	\$ 0.2287
Diluted	\$ 0.3714	\$ 0.3278	\$ 0.3383	\$ 0.2782	\$ 0.2270

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) - 11.39%
- Net profit after tax - 15.64%
- Basic earnings per share - 14.19%

(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 \$900,000 per annum as approved by shareholders at the AGM on 29 October 2014. 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 fulfil 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 and Nominations Committee, Audit and Risk Committee and Health & Safety, Environment and Community Committee (**HSEC**) that was newly formed on 24 May 2017 to support the Board in its oversight and governance of health & safety and environmental matters arising out of the Group's activities as they may affect employees, contractors and local communities. The payment of an additional fee recognises the additional time commitment required by Directors who serve on those committees.

Fees payable to the non-executive Directors of the Company for the 2017 financial year (inclusive of legislated superannuation contributions) were as follows:

DIRECTORS' REPORT cont.

Tassal Group Limited and Controlled Entities

Per annum	Base	Remuneration and Nominations Committee	Audit and Risk Committee	Health & Safety, Environment and Community Committee
Chairman of the Board	\$220,000	N/A	N/A	N/A
Each other non-executive Director	\$105,000	\$10,000	\$10,000	\$10,000

The Chair of the Audit and Risk Committee received an additional \$10,000 for chairing that Committee

The Chair of the Health & Safety, Environment and Community Committee received an additional \$5,000 for chairing that Committee

(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 and Nominations 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 and Nominations Committee consider the performance against targets, and determine 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 2017 is detailed below.

DIRECTORS' REPORT cont.

Tassal Group Limited and Controlled Entities

Executive	STI range calculated on fixed annual remuneration*
M. Ryan	30%- 60%
A. Creswell	15% - 30%
M. Asman	15% - 30%
D. Williams	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 FY2017 was directly linked to the Company's operating net profit after tax (NPAT) performance on the following basis:

30 June 2017		30 June 2016	
NPAT ⁽ⁱ⁾ Threshold \$'000	% of STI Triggered %	NPAT ⁽ⁱ⁾ Threshold \$'000	% of STI Triggered %
<\$39,259	Nil	<\$44,020	Nil
\$39,259	50%	\$44,020	25%
\$39,259 - \$43,392	50% - 100%	\$44,020 - \$48,420	25% - 100%
>\$43,392	100%	>\$48,420	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 100.00% (2016: 0.00%) of their respective FY2017 maximum STI entitlements.

The Board considers the FY2017 NPAT thresholds represented significant and challenging targets having regard to the business conditions faced by the Company in FY2017.

(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 and Nominations 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 2017:

The performance hurdles for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ended 30 June 2017 are based on the Company's Earnings

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per Share (**EPS**) growth over the performance period of the three years from 30 June 2016 (being the Base Year) to 30 June 2019 (the Performance Period), and on the Company's Return on Assets (**ROA**) performance for the financial year ended 30 June 2019. 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 2017).

"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 8% 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 8% but less than 10%, 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 10%, 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 2017).

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

The ROA hurdle requires that the Company's ROA for the financial year ending 30 June 2019 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 2019 is less than 10% no performance rights will vest;
- if the Company's ROA for the financial year ending 30 June 2019 is equal to or greater than 10% but less than 12%, 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 2019 is equal to or greater than 12% 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 2017 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%
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 2016:

The performance hurdle for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ended 30 June 2016 is based on the Company's EPS and ROA growth over the performance period of the three years from 30 June 2015 (being the **Base Year**) to 30 June 2018 (the **Performance Period**) and are summarised as follows.

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Earnings Per Share Hurdle (EPS) (Applies to 50% of performance rights granted in the financial year ended 30 June 2016).

"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 10% 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 10% 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 2016).

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

The ROA hurdle requires that the Company's ROA for the financial year ending 30 June 2018 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 2018 is less than 12.5% no performance rights will vest;
- if the Company's ROA for the financial year ending 30 June 2018 is equal to or greater than 12.5% but less than 13%, 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 2018 is equal to or greater than 13% 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 2016 is detailed below.

Executive	LTI range calculated on fixed annual remuneration*
M. Ryan	12.5% - 50%
A. Creswell	7.5% - 30%
D. Williams	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 2018:

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 2018.

The performance hurdles for the grants of performance rights to the Chief Executive Officer and Senior Executives in the financial year ending 30 June 2018 will be based on the Company's EPS (Earnings per Share) 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 on the Company's ROA (Return on Assets) performance for the financial year ending 30 June 2020. Each performance condition is summarised as follows:

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

"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 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 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 ending 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 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 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 to be 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%
M. Asman	7.5% - 30%
A. Creswell	7.5% - 30%
D. Williams	7.5% - 30%
B. Daley	7.5% - 30%

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

(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

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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
R. Murphy	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
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 and only include remuneration relating to the portion of the relevant periods that each individual was a Key Management Personnel of the Company.

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		Short-term employment benefits			Post employment		Share-based	Other	Total
		Salary & Fees ¹	Bonus ²	Non-Monetary ³	Super-annuation	Prescribed Benefits	Performance Rights ⁴	Termination Benefits ⁵	
Directors:		\$	\$	\$	\$	\$	\$	\$	
M. Carroll	2017	105,311	-	-	10,005	-	-	-	115,316
	2016	94,988	-	-	9,024	-	-	-	104,011
T. Gerber	2017	114,469	-	-	10,875	-	-	-	125,344
	2016	105,646	-	-	10,036	-	-	-	115,682
C. Leon	2017	105,311	-	-	10,005	-	-	-	115,316
	2016	94,988	-	-	9,024	-	-	-	104,011
R. Murphy Appointed 09.09.15	2017	114,469	-	-	10,875	-	-	-	125,344
	2016	85,808	-	-	8,152	-	-	-	93,959
A. McCallum (Chairman)	2017	201,465	-	-	19,139	-	-	-	220,604
	2016	189,736	-	-	17,795	-	-	-	207,532
M. Ryan - Chief Executive Officer	2017	705,297	531,803	1,218	19,670	-	(9,363)	-	1,248,625
	2016	711,447	-	1,184	19,417	-	22,130	-	754,179
J. Watson	2017	-	-	-	-	-	-	-	-
Resigned 28.10.15	2016	33,792	-	-	3,210	-	-	-	37,002
Other Key Management Personnel:									
M. Asman * Appointed as Key Management on 09.03.16	2017	293,636	87,123	1,218	34,376	-	15,732	-	432,084
	2016	95,142	185,376	-	8,094	-	-	-	288,612
A. Creswell *	2017	334,102	87,123	1,218	34,881	-	21,077	-	478,402
	2016	237,910	-	1,184	21,493	-	5,334	-	265,921
B. Daley *	2017	287,799	75,068	9,815	31,725	-	17,249	-	421,656
	2016	209,941	-	10,916	19,441	-	5,688	-	245,986
C. Hounsell	2017	-	-	-	-	-	-	-	-
	2016	198,317	-	-	18,264	-	4,533	-	221,115
D. Kiemele - Resigned as Key Management on 06.05.16	2017	-	-	-	-	-	-	-	-
	2016	148,738	-	1,184	18,700	-	-	-	168,622
K. Little	2017	-	-	-	-	-	-	-	-
	2016	209,853	-	9,231	18,590	-	4,798	-	242,472
M. Maedler	2017	-	-	-	-	-	-	-	-
	2016	208,264	-	1,184	18,562	-	4,607	-	232,617
I. Miles	2017	-	-	-	-	-	-	-	-
	2016	192,594	-	1,184	18,266	-	5,251	-	217,294
J. O'Connor	2017	-	-	-	-	-	-	-	-
	2016	214,147	-	1,184	18,987	-	4,694	-	239,012
L. Sams	2017	-	-	-	-	-	-	-	-
	2016	212,516	-	9,863	18,292	-	5,112	-	245,783
D. Williams *	2017	312,180	87,123	12,062	34,460	-	21,821	-	467,646
	2016	261,300	-	12,095	23,623	-	6,076	-	303,094
Total	2017	2,574,040	868,241	25,531	216,009	-	66,516	-	3,750,337
Total	2016	3,505,125	185,376	49,209	278,971	-	68,224	-	4,086,905

*Designated Key Management Personnel from 1 July 2016

(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 100.00% (2016: 0.00%) 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.

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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 granted during the financial year ended 30 June 2017

	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	91,985	28 Nov 2016	30 Jun 2019	-	-	-	-	Nil	322,634
Executive Officers:									
M. Asman	24,376	28 Nov 2016	30 Jun 2019	-	-	-	-	Nil	85,498
A. Creswell	24,376	28 Nov 2016	30 Jun 2019	-	-	-	-	Nil	85,498
B. Daley	21,248	28 Nov 2016	30 Jun 2019	-	-	-	-	Nil	74,527
D. Williams	24,376	28 Nov 2016	30 Jun 2019	-	-	-	-	Nil	85,498

(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 \$3.507.

Performance rights granted during the financial year ended 30 June 2016

	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	93,738	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	384,669
Executive Officers:									
A. Creswell	22,594	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	92,718
B. Daley	20,987	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	86,123
C. Hounsell	19,200	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	78,790
K. Little	20,324	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	83,403
M. Maedler	19,513	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	80,075
I. Miles	19,201	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	78,794
J. O'Connor	19,885	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	81,601
L. Sams	20,324	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	83,403
D. Williams	25,735	26 Nov 2015	30 Jun 2018	-	-	-	-	Nil	105,608

(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 \$4.104.

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Performance rights granted during the financial year ended 30 June 2015

	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	74,506	28 Nov 2014	30 Jun 2017	-	0.00%	74,506	100.00%	-	263,848
Executive Officers:									
A. Creswell	17,958	28 Nov 2014	30 Jun 2017	6,314	35.16%	11,644	64.84%	22,358	41,237
B. Daley	15,509	28 Nov 2014	30 Jun 2017	5,453	35.16%	10,056	64.84%	19,309	35,613
C. Hounsell	15,260	28 Nov 2014	30 Jun 2017	5,366	35.16%	9,894	64.84%	18,999	35,041
K. Little	16,154	28 Nov 2014	30 Jun 2017	5,680	35.16%	10,474	64.84%	20,112	37,094
M. Maedler	15,509	28 Nov 2014	30 Jun 2017	5,453	35.16%	10,056	64.84%	19,309	35,613
I. Miles	15,260	28 Nov 2014	30 Jun 2017	5,366	35.16%	9,894	64.84%	19,001	35,043
J. O'Connor	15,806	28 Nov 2014	30 Jun 2017	5,557	35.16%	10,249	64.84%	19,679	36,295
L. Sams	15,652	28 Nov 2014	30 Jun 2017	5,503	35.16%	10,149	64.84%	19,487	35,941
D. Williams	20,455	28 Nov 2014	30 Jun 2017	7,192	35.16%	13,263	64.84%	25,467	46,970

(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 \$3.541.

(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 \$3.541.

(5) An equivalent number of fully paid ordinary shares in respect of the performance rights granted during the year ended 30 June 2015 and which vested on 30 June 2017 will be issued pursuant to the Company's Long-term incentive plan.

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.

2017:	Balance as at 01.07.16	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 30.06.17	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
M. Carroll	15,004	-	-	-	8,426	-	23,430	-
T. Gerber	15,000	-	-	-	-	-	15,000	-
C. Leon	30,000	-	-	-	4,468	-	34,468	-
R. Murphy	-	-	-	-	-	-	-	-
A. McCallum	300,809	-	-	-	19,752	-	320,561	-
M. Ryan ¹	486,367	-	44,349	-	(170,338)	-	360,378	-
Other Key Management Personnel:								
M. Asman	25,000	-	-	-	433	-	25,433	-
A. Creswell	77,454	-	10,695	-	-	-	88,149	-
B. Daley	31,565	-	9,237	-	-	-	40,802	-
D. Williams	89,671	-	12,182	-	-	-	101,853	-
Total	1,070,870	-	76,463	-	(137,259)	-	1,010,074	-

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

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2016:	Balance as at 01.07.15	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 30.06.16	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
M. Carroll	5,414	-	-	-	9,590	-	15,004	-
T. Gerber	-	-	-	-	15,000	-	15,000	-
C. Leon	30,000	-	-	-	-	-	30,000	-
R. Murphy (appointed 09.09.15)	-	-	-	-	-	-	-	-
A. McCallum	290,809	-	-	-	10,000	-	300,809	-
M. Ryan ¹	386,626	-	99,741	-	-	-	486,367	-
J. Watson (resigned 28.10.15)	148,230	-	-	-	-	148,230	-	-
Other Key Management Personnel:								
M. Asman (appointed 09.03.16)	-	25,000	-	-	-	-	25,000	-
A. Creswell	52,607	-	24,847	-	-	-	77,454	-
B. Daley	12,376	-	19,189	-	-	-	31,565	-
C. Hounsell	-	-	10,250	-	-	-	10,250	-
D. Kiemele (resigned 06.05.16)	40,506	-	21,459	-	(40,506)	21,459	-	-
K. Little	-	-	22,351	-	-	-	22,351	-
M. Maedler	-	-	21,459	-	-	-	21,459	-
I. Miles	-	-	-	-	-	-	-	-
J. O'Connor	-	-	21,868	-	-	-	21,868	-
L. Sams	-	-	21,459	-	-	-	21,459	-
D. Williams	111,984	-	28,301	-	(50,614)	-	89,671	-
Total	1,078,552	25,000	290,924	-	(56,530)	169,689	1,168,257	-

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 and prior reporting periods of each member of the Key Management Personnel of the consolidated entity:

2017:	Balance as at 01.07.16	Balance at appointment date (if applicable)	Granted	Vested	Lapsed	Net other change	Balance as at 30.06.17	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
M. Carroll	-	-	-	-	-	-	-	-
T. Gerber	-	-	-	-	-	-	-	-
C. Leon	-	-	-	-	-	-	-	-
R. Murphy	-	-	-	-	-	-	-	-
A. McCallum	-	-	-	-	-	-	-	-
M. Ryan ¹	168,244	-	91,985	-	(74,506)	-	185,723	-
Other Key Management Personnel:								
M. Asman	-	-	24,376	-	-	-	24,376	-
A. Creswell	40,552	-	24,376	(6,314)	(11,644)	-	46,970	-
B. Daley	36,496	-	21,248	(5,453)	(10,056)	-	42,235	-
D. Williams	46,190	-	24,376	(7,192)	(13,263)	-	50,111	-
Total	291,482	-	186,361	(18,959)	(109,469)	-	349,415	-

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

DIRECTORS' REPORT cont.

Tassal Group Limited and Controlled Entities

2016:	Balance as at 01.07.15	Balance at appointment date (if applicable)	Granted	Vested	Lapsed	Net other change	Balance as at 30.06.16	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.	No.
Directors:								
M. Carroll	-	-	-	-	-	-	-	-
T. Gerber	-	-	-	-	-	-	-	-
C. Leon	-	-	-	-	-	-	-	-
R. Murphy (appointed 09.09.15)	-	-	-	-	-	-	-	-
A. McCallum	-	-	-	-	-	-	-	-
M. Ryan ¹	211,469	-	93,738	(44,349)	(92,614)	-	168,244	-
J. Watson (resigned 28.10.15)	-	-	-	-	-	-	-	-
Other Key Management Personnel:								
M. Asman (appointed 09.03.16)	-	-	-	-	-	-	-	-
A. Creswell	50,986	-	22,594	(10,695)	(22,333)	-	40,552	-
B. Daley	44,033	-	20,987	(9,237)	(19,287)	-	36,496	-
C. Hounsell	43,326	-	19,200	(9,088)	(18,978)	-	34,460	-
D. Kiemele (resigned 06.05.16)	44,440	-	20,530	(9,322)	(55,648)	-	-	-
K. Little	45,864	-	20,324	(9,621)	(20,089)	-	36,478	-
M. Maedler	44,033	-	19,513	(9,237)	(19,287)	-	35,022	-
I. Miles	15,261	-	19,201	-	-	-	34,462	-
J. O'Connor	44,874	-	19,885	(9,413)	(19,656)	-	35,690	-
L. Sams	44,439	-	20,324	(9,322)	(19,465)	-	35,976	-
D. Williams	58,075	-	25,735	(12,182)	(25,438)	-	46,190	-
Total	646,800	-	302,031	(132,466)	(312,795)	-	503,570	-

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
Hobart this 23rd day of August 2017

AUDITOR'S INDEPENDENCE DECLARATION**Tassal Group Limited and Controlled Entities****Deloitte.**Deloitte Touche Tohmatsu
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23 August 2017

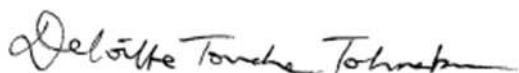
Tassal Group Limited

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 2017, 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

**Chris Biermann**
Partner
Chartered AccountantsLiability limited by a scheme approved under Professional Standards Legislation
Member of Deloitte Touche Tohmatsu Limited

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INCOME STATEMENT for the year ended 30 June 2017

Tassal Group Limited and Controlled Entities

	Note	Consolidated 2017	Consolidated 2016
		\$'000	\$'000
Revenue	3(a)	444,927	425,416
Other income	3(b)	5,569	5,586
Fair value adjustment of biological assets		30,931	21,433
Fair value adjustment of biological assets at point of harvest		1,381	(6,322)
Share of profits / (losses) of associates accounted for using the equity method	12	(43)	(78)
Changes in inventories of finished goods and work in progress		648	1,336
Raw materials and consumables used		(252,824)	(251,734)
Contingent consideration expense	39	(6,727)	-
Employee benefits expense	3(c)	(89,633)	(80,809)
Depreciation and amortisation expense	3(c)	(20,935)	(21,010)
Finance costs	3(c)	(8,062)	(7,374)
Other expenses		(19,676)	(17,534)
Profit before income tax expense		85,556	68,910
Income tax expense	4	(27,473)	(20,417)
Net profit for the period attributable to members of the Company		58,083	48,493

	Note	Cents per share	Cents per share
		2017	2016
Earnings per ordinary share:			
Basic (cents per share)	28	37.28	32.95
Diluted (cents per share)	28	37.14	32.78

Notes to the financial statements are included on pages 37 to 81.

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2017

Tassal Group Limited and Controlled Entities

	Note	Consolidated 2017	Consolidated 2016
		\$'000	\$'000
Profit for the period		58,083	48,493
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain / (loss) on revaluation of property	14	-	5,836
Income tax relating to items that will not be reclassified subsequently		-	(1,751)
Items that may be reclassified subsequently to profit or loss:			
Gain / (loss) on cashflow hedges	26(a)	569	(807)
Income tax relating to items that may be reclassified subsequently		(171)	242
Other comprehensive income for the period (net of tax)		398	3,520
Total comprehensive income for the period attributed to owners of the parent		58,481	52,013

Notes to the financial statements are included on pages 37 to 81.

STATEMENT OF FINANCIAL POSITION as at 30 June 2017

Tassal Group Limited and Controlled Entities

	Note	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Current Assets			
Cash and cash equivalents		30,561	12,521
Trade and other receivables	7	22,120	25,300
Inventories	8	57,194	55,165
Biological assets	9	312,405	246,102
Other financial assets	10	868	3,724
Other	11	6,559	6,396
Total Current Assets		429,707	349,208
Non-Current Assets			
Investments accounted for using the equity method	12	8,549	8,592
Other financial assets	13	2,627	49
Property, plant and equipment	14	310,355	279,967
Goodwill	15	82,306	82,306
Other intangible assets	16	24,184	24,184
Other	17	5,021	4,765
Total Non-Current Assets		433,042	399,863
Total Assets		862,749	749,071
Current Liabilities			
Trade and other payables	19	78,670	61,870
Borrowings	20	29,998	27,137
Current tax liability	4	4,415	10,916
Contingent consideration	39	7,980	8,635
Provisions	21	9,788	6,850
Other financial liabilities	22	470	1,038
Total Current Liabilities		131,321	116,446
Non-Current Liabilities			
Borrowings	23	67,388	120,754
Deferred tax liabilities	4	117,364	97,791
Deferred and contingent consideration	39	6,984	8,152
Provisions	24	1,798	1,592
Total Non-Current Liabilities		193,534	228,289
Total Liabilities		324,855	344,735
Net Assets		537,894	404,336
Equity			
Issued capital	25	253,905	154,983
Reserves	26	13,864	13,513
Retained earnings	27	270,125	235,840
Total Equity		537,894	404,336

Notes to the financial statements are included on pages 37 to 81.

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2017

Tassal Group Limited and Controlled Entities

Consolidated	Issued capital	Asset revaluation reserve	Hedging reserve	Equity-settled employee benefits reserve	Retained earnings	Total attributable to equity holders of the entity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2015	154,647	8,615	(162)	1,542	208,691	373,333
Profit for the period	-	-	-	-	48,493	48,493
Gain / (loss) on revaluation of property (net of any related tax)	-	4,085	-	-	-	4,085
Gain / (loss) on cashflow hedges (net of any related tax)	-	-	(565)	-	-	(565)
Total comprehensive income for the period	-	4,085	(565)	-	48,493	52,013
Payment of dividends	-	-	-	-	(21,344)	(21,344)
Issue of shares pursuant to executive long term incentive plan	336	-	-	(336)	-	-
Recognition of share-based payments	-	-	-	334	-	334
Balance as at 30 June 2016	154,983	12,700	(727)	1,540	235,840	404,336
Balance as at 1 July 2016	154,983	12,700	(727)	1,540	235,840	404,336
Profit for the period	-	-	-	-	58,083	58,083
Gain / (loss) on cashflow hedges (net of any related tax)	-	-	398	-	-	398
Total comprehensive income for the period	-	-	398	-	58,083	58,481
Payment of dividends	-	-	-	-	(23,798)	(23,798)
Issue of shares pursuant to dividend reinvestment plan	7,708	-	-	-	-	7,708
Issue of shares pursuant to business acquisition earn-out arrangement	8,550	-	-	-	-	8,550
Issue of shares pursuant to share placement	80,000	-	-	-	-	80,000
Share placement costs	(2,129)	-	-	-	-	(2,129)
Issue of shares pursuant to share purchase plan	4,419	-	-	-	-	4,419
Issue of shares pursuant to executive long term incentive plan	374	-	-	(374)	-	-
Recognition of share-based payments	-	-	-	327	-	327
Balance as at 30 June 2017	253,905	12,700	(329)	1,493	270,125	537,894

Notes to the financial statements are included on pages 37 to 81.

STATEMENT OF CASHFLOWS for the year ended 30 June 2017

Tassal Group Limited and Controlled Entities

	Note	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Cashflows from Operating Activities			
Receipts from customers		484,112	450,367
Payments to suppliers and employees		(409,396)	(386,401)
Interest received		211	231
Interest and other costs of finance paid		(10,029)	(7,184)
Income taxes paid		(13,534)	(6,790)
Net cash (used in) / provided by operating activities	37(b)	51,364	50,223
Cashflows from Investing Activities			
Payment for property, plant and equipment		(49,059)	(49,595)
Proceeds from sale of property, plant and equipment		39	2
Payment for business		-	(48,941)
Net cash (used in)/ provided by investing activities		(49,020)	(98,534)
Cashflows from Financing Activities			
Proceeds from borrowings		30,075	79,405
Repayment of borrowings		(80,579)	(10,553)
Proceeds from issue of equity securities		84,419	-
Payment for share issue costs		(2,129)	-
Dividends paid to members of the parent entity		(16,090)	(21,344)
Net cash (used in)/ provided by financing activities		15,696	47,508
Net increase / (decrease) in cash and cash equivalents		18,040	(803)
Cash and cash equivalents at the beginning of the financial year		12,521	13,324
Cash and cash equivalents at the end of the financial year	37(a)	30,561	12,521

Notes to the financial statements are included on pages 37 to 81

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017

Tassal Group Limited and Controlled Entities

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Tassal Group Limited and Controlled Entities

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 23 August 2017.

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 forecast performance of De Costi business for FY18 compared to earn out targets, and resultant estimate of the number of shares in Tassal Group Ltd likely 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 2017, 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 2016.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

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

- AASB 1057 *Application of Australian Accounting Standards* and AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs*
- AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

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 annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 <i>Financial Instruments</i>	1 January 2018	30 June 2019
AASB 15 <i>Revenue from Contracts with Customers</i> , AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i> , AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective date of AASB 15</i> , 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	1 January 2018	30 June 2019
AASB 16 <i>Leases</i>	1 January 2019	30 June 2020
AASB 2015-10 <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128</i>	1 January 2018	30 June 2019
AASB 2016-1 <i>Amendments to Australian Accounting Standards – Recognition of</i>	1 January 2017	30 June 2018

Deferred Tax Assets for Unrealised Losses

AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]</i>	1 January 2017	30 June 2018
AASB 2016-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	1 January 2017	30 June 2018
AASB 2016-5 <i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018	30 June 2019
AASB 2017-1 <i>Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i>	1 January 2018	30 June 2019
AASB 2017-2 <i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</i>	1 January 2017	30 June 2018
Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018	30 June 2019

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

AASB 9 Financial Instruments

AASB 9 issued in December 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in December 2013 to include the new requirements for general hedge accounting.

Another revised version of AASB 9 was issued in December 2014 mainly to include:

- a) Impairment requirements for financial assets
- b) Limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of AASB 9:

- All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value. Specifically:
 - Debt investments that are held within a business model whose objective is to collect the contractual cashflows, and that have contractual cashflows that are solely payments of principal and interest on the principal outstanding are generally

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

- measured at amortised cost at the end of subsequent accounting periods.
 - Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cashflows and selling financial assets, and that have contractual terms that give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI.
 - All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under AASB 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under AASB 139 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- 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 an entity 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. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in AASB 139. Under AASB 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an

entity's risk management activities have also been introduced.

AASB 9 applies to annual periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by AASB 15.

In May 2016, the AASB issued AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The group recognises revenue from the sale of salmon to the domestic and export markets.

AASB 15 applies to annual periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

AASB 16 Leases

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

lessees. AASB 16 will supersede the current lease guidance including AASB 117 *Leases* and the related interpretations when it becomes effective.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cashflows will also be affected as operating lease payments under AASB 117 are presented as operating cashflows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cashflows respectively.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by AASB 16.

AASB 16 applies to annual periods beginning on or after 1 January 2019. The directors of the Company anticipate that the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the financial effect of AASB 16 until the Group performs a detailed review.

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.

(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

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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 37 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

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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)).

(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

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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

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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

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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).

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 2016, 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

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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.

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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 behavioral 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 – Live Finfish**

Live finfish 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 finfish 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 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 fish 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 23 August 2017, the Directors declared a final fully franked dividend of 7.50 cents per ordinary share amounting to \$12.742 million in respect of the financial year ended 30 June

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.**Tassal Group Limited and Controlled Entities**

2017. The record date for determining entitlements to this dividend is 11 September 2017. The final dividend will be paid on 29 September 2017. The Company's Dividend Reinvestment Plan will apply to the final dividend and a discount rate of 2% has been determined by the Directors.

The final dividend has not been recognised in this Annual Financial Report because the final dividend was declared subsequent to 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

	Note	Consolidated 2017	Consolidated 2016
		\$'000	\$'000
3. PROFIT FOR THE YEAR BEFORE TAX			
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		169,869	121,602
Domestic retail market		230,712	290,537
Export market		44,135	13,046
Interest revenue		211	231
Total revenue		444,927	425,416
(b) Other income			
Gain / (loss) on disposal of property, plant and equipment		39	26
Government grants received		2,337	2,618
Other		3,193	2,942
Total other income		5,569	5,586

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

	Consolidated 2017	Consolidated 2016
	\$'000	\$'000
3. PROFIT FOR THE YEAR BEFORE TAX (CONT.)		
(c) Expenses		
Depreciation of non-current assets	20,905	20,980
Amortisation of non-current assets	30	30
Total depreciation and amortisation	20,935	21,010
Interest - other entities	6,208	5,830
Finance lease charges	1,854	1,544
Total finance costs (i)	8,062	7,374
Notes:		
(i) Additional finance costs of \$0.602 million were included in the cost of qualifying assets during the current year (2016: \$0.594 million).		
(ii) The weighted average capitalisation rate on funds borrowed generally is 3.451% (2016: 2.825%).		
Employee benefits expense:		
Equity settled share-based payments	327	334
Post-employment benefits	6,322	5,539
Other employee benefits	82,984	74,936
Total employee benefits expense	89,633	80,809
Net bad and doubtful debts – other entities	395	40
Write-downs of inventories to net realisable value	-	516
Operating lease rental expenses	22,977	14,454
Research and development costs immediately expensed	996	829

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

	Consolidated 2017	Consolidated 2016
	\$'000	\$'000
4. INCOME TAXES		
(a) Income tax recognised in profit or loss:		
Tax (expense)/income comprises:		
Current tax (expense)/income	(8,008)	(16,994)
Adjustment recognised in the current year in relation to the current tax of prior years	-	(39)
Deferred tax (expense)/income relating to the origination and reversal of temporary differences and use of carry forward tax losses	(19,465)	(3,384)
Total tax (expense)/income	(27,473)	(20,417)
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	85,556	68,910
Income tax (expense)/benefit calculated at 30%	(25,667)	(20,673)
Non-tax deductible items	(2,098)	(151)
Research and development concession	292	335
Payment in respect of employee shares	-	52
Adjustment recognised in the current year in relation to prior years	-	20
Income tax (expense)/benefit	(27,473)	(20,417)
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	-	(1,751)
Employee share reserve	64	230
Revaluation of financial instruments treated as cashflow hedges	(171)	242
	(107)	(1,279)
(c) Current tax balances:		
Current tax liabilities comprise:		
Income tax payable attributable to:		
Entities in the tax-consolidated group	(5,390)	(11,916)
Research & Development Offset included in Other income	975	1,000
Net current tax balance	(4,415)	(10,916)
(d) Deferred tax balances:		
Deferred tax assets comprise:		
Temporary differences	4,063	3,311
	4,063	3,311
Deferred tax liabilities comprise:		
Temporary differences	(121,427)	(101,102)
Net deferred tax asset / (liability)	(117,364)	(97,791)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

4. INCOME TAXES (CONT.)

(d) Deferred tax balances: (cont.)

Taxable and deductible temporary differences arise from the following:

Consolidated	Opening balance	Acquisition	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
2017					
Deferred tax liabilities:					
Biological assets	(73,254)	-	(19,453)	-	(92,707)
Inventories	(7,246)	-	41	-	(7,205)
Property, plant and equipment	(18,792)	-	(664)	-	(19,456)
Investment in associates	(736)	-	13	-	(723)
Other financial assets	(1,074)	-	(262)	-	(1,336)
	(101,102)	-	(20,325)	-	(121,427)
Deferred tax assets:					
Provisions	2,533	-	455	-	2,988
Other intangible assets	62	-	-	-	62
Trade and other payables	255	-	(10)	(170)	75
Cashflow hedges	312	-	-	-	312
Other	149	-	414	63	626
	3,311	-	859	(107)	4,063
	(97,791)	-	(19,466)	(107)	(117,364)
Reduction arising from:					
Revenue tax losses and R&D offset	-	-	-	-	-
Net deferred tax asset/(liability)	(97,791)	-	(19,466)	(107)	(117,364)
2016					
Deferred tax liabilities:					
Biological assets	(68,527)	-	(4,727)	-	(73,254)
Inventories	(8,809)	-	1,563	-	(7,246)
Property, plant and equipment	(15,998)	-	(1,044)	(1,751)	(18,792)
Investment in associates	(759)	-	23	-	(736)
Other financial assets	(1,959)	-	885	-	(1,074)
	(96,052)	-	(3,299)	(1,751)	(101,102)
Deferred tax assets:					
Provisions	1,984	297	252	-	2,533
Other intangible assets	62	-	-	-	62
Trade and other payables	216	-	39	-	255
Cashflow hedges	70	-	-	242	312
Other	212	83	(376)	230	149
	2,544	380	(85)	472	3,311
	(93,508)	380	(3,384)	(1,279)	(97,791)
Reduction arising from:					
Revenue tax losses and R&D offset	-	-	-	-	-
Net deferred tax asset/(liability)	(93,508)	380	(3,384)	(1,279)	(97,791)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

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 2017 and 2016 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
R. Murphy	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
B. Daley	Head of Supply Chain and Commercial Services

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

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 2017	Consolidated 2016
	\$	\$
Short-term employee benefits	3,467,812	3,739,710
Post-employment benefits	216,009	278,971
Share-based payment	66,516	68,224
	3,750,337	4,086,905

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)
20 Nov 2014	30 Jun 2017	256,234	-	58,395	197,839	-
28 Nov 2015	30 Jun 2018	355,460	-	-	-	355,460
26 Nov 2016	30 Jun 2019	-	359,148	-	-	359,148
		611,694	359,148	58,395	197,839	714,608

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.

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 2015, 30 June 2016 and 30 June 2017 and applicable to participants was:

Performance condition	Value at grant date
	\$
Performance rights issued during the financial year ended 30 June 2015:	
Statutory earnings per share ('EPS')	444,628
Statutory return on assets ('ROA')	330,069
	774,697
Performance rights issued during the financial year ended 30 June 2016:	
Statutory earnings per share ('EPS')	413,538
Statutory return on assets ('ROA')	368,318
	781,856
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
	2,251,909

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

5. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT.)

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 2017 is \$66,516 (2016: \$68,224).

50% of the performance rights granted to Key Management Personnel during the financial year ended 30 June 2016 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 2017 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 \$3.85 (2016: \$4.46) adjusted for the present value of expected dividends over the vesting Performance Period.

6. REMUNERATION OF AUDITORS

	Consolidated 2017	Consolidated 2016
	\$	\$
Audit or review of the financial reports	246,000	254,940
Non-audit services (i)	11,785	39,950
	247,785	294,890

Notes:

- (i) The "non-audit services" principally refers to impairment and accounting workshops held with entity management (2016: principally refers to advice of De Costi Seafoods and capex evaluation methodologies). 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 2017	Consolidated 2016
	\$'000	\$'000
Trade receivables (i)	15,212	22,569
Allowance for doubtful debts	(231)	(448)
	14,981	22,121
Goods and services tax (GST) receivable	2,434	1,495
Other receivables	4,705	1,684
	22,120	25,300

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

7. CURRENT TRADE AND OTHER RECEIVABLES (CONT.)

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. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. During the current financial year the allowance for doubtful debts decreased by \$0.217 million (2016: increased by \$0.448 million). Any movement is recognised in the profit or loss for the current financial year.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$1.022 million (2016: \$1.031 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

- (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 \$75.000 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 \$63.954 million as at 30 June 2017 (2016: \$44.895 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 2017 was \$10.874 million (2016: \$7.532 million).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

7. CURRENT TRADE AND OTHER RECEIVABLES (CONT.)

Ageing of past due but not impaired	Consolidated 2017	Consolidated 2016
	\$'000	\$'000
90 – 120 days	289	255
120+ days	733	776
Total	1,022	1,031
Movement in allowance for doubtful debts		
Balance at the beginning of the year	(448)	-
Doubtful debts recognised	(178)	(488)
Amounts written off as uncollectible	395	40
Balance at the end of the year	(231)	(448)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired receivables

	\$'000	\$'000
120+ days	-	-
	-	-

8. CURRENT INVENTORIES

Raw materials	11,205	9,986
Finished goods ⁽ⁱ⁾	45,989	45,179
	57,194	55,165

(i) Includes fair value adjustment of biological assets at point of harvest \$10.665 million (2016: \$9.284 million)

9. BIOLOGICAL ASSETS

Livestock at fair value

Opening balance	246,102	222,906
Gain or loss arising from changes in fair value less estimated point of sale costs	328,837	269,003
Increases due to purchases	13,106	12,948
Decreases due to harvest	(275,640)	(258,755)
Closing balance⁽ⁱ⁾	312,405	246,102

(i) Includes fair value adjustment of biological assets \$136.18 million (2016: \$105.250 million)

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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

9. BIOLOGICAL ASSETS (CONT.)

Item	Fair value hierarchy		Fair value hierarchy	Valuation techniques
	Fair value as at:			
	30/06/2017 \$'000	30/06/2016 \$'000		
Biological Assets	312,405	246,102	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 2017 \$'000	Consolidated 2016 \$'000
Loans carried at amortised cost:		
Loans to other parties	868	3,724
	868	3,724

11. OTHER CURRENT ASSETS	2017	2016
Prepayments	6,559	6,396
	6,559	6,396

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	2017	2016
Investments in associates	8,549	8,592
	8,549	8,592
Reconciliation of movement in investments accounted for using the equity method		
Balance at the beginning of the financial year	8,592	8,670
Share of profit / (loss) for the year	(43)	(78)
Additions	-	-
Disposals	-	-
Balance at the end of the financial year	8,549	8,592

Name of entity	Principal activity	Country of Incorporation	Ownership interest	
			2017 %	2016 %
Associates:				
Salmon Enterprises of Tasmania Pty Ltd (i)	Atlantic salmon hatchery	Australia	68.94	68.94

- (i) The Consolidated entity owns 68.94% (2016: 68.94%) of the issued capital and 61.22% (2016: 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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

Summarised financial information of associates: (i)	Consolidated 2017	Consolidated 2016
	\$'000	\$'000
Current assets	14,106	12,664
Non-current assets	28,304	28,726
	42,410	41,390
Current liabilities	(6,127)	(5,967)
Non-current liabilities	(12,494)	(11,709)
	(18,621)	(17,676)
Net assets	23,789	23,714
Revenue	8,173	9,043
Net profit / (loss)	75	(355)
Share of associates' profit / (loss):		
Share of profit / (loss) before income tax	(23)	(111)
Income tax (expense)/benefit	(20)	33
Share of associates' profit / (loss) – current period	(43)	(78)

(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

Shares in other entities at cost	43	43
Loans to other parties	2,584	6
	2,627	49

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

14. PROPERTY, PLANT AND EQUIPMENT

Consolidated: 2017

	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
Gross carrying amount					
Balance at 30 June 2016	5,225	70,428	271,913	49,161	396,727
Disposals	-	-	(10,043)	-	(10,043)
Work-In-Progress Additions	-	-	-	53,649	53,649
Capitalisation to asset categories	-	7,095	38,359	(45,454)	-
Net revaluation increment / (decrement)	-	-	-	-	-
Balance at 30 June 2017	5,225	77,523	300,229	57,356	440,333
Accumulated depreciation					
Balance at 30 June 2016	-	(6,614)	(110,146)	-	(116,760)
Depreciation expense	-	(3,198)	(20,063)	-	(23,261)
Disposals	-	-	10,043	-	10,043
Net adjustments from revaluations	-	-	-	-	-
Balance at 30 June 2017	-	(9,812)	(120,166)	-	(129,978)
Net book value					
Balance at 30 June 2016	5,225	63,814	161,767	49,161	279,967
Balance at 30 June 2017	5,225	67,711	180,063	57,356	310,355

Consolidated: 2016

	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
Gross carrying amount					
Balance at 30 June 2015	4,570	51,686	266,950	43,718	366,924
Acquisition of business (i)	-	-	4,478	-	4,478
Disposals	-	-	(18,819)	-	(18,819)
Work-In-Progress Additions	-	-	-	44,368	44,368
Capitalisation to asset categories	-	19,621	19,304	(38,925)	-
Net revaluation increment / (decrement)	655	(879)	-	-	(224)
Balance at 30 June 2016	5,225	70,428	271,913	49,161	396,727
Accumulated depreciation					
Balance at 30 June 2015	-	(5,915)	(113,835)	-	(119,750)
Depreciation expense	-	(6,759)	(14,796)	-	(21,555)
Disposals	-	-	18,485	-	18,485
Net adjustments from revaluations	-	6,060	-	-	6,060
Balance at 30 June 2016	-	(6,614)	(110,146)	-	(116,760)
Net book value					
Balance at 30 June 2015	4,570	45,771	153,115	43,718	247,174
Balance at 30 June 2016	5,225	63,814	161,767	49,161	279,967

(i) Property, Plant & Equipment acquired pursuant to the acquisition of the business of De Costi Seafoods Pty Ltd.

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 2016 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 2017 are as follows:				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value as at 30 June 2017
Freehold land	-	-	5,225	5,225
Buildings	-	-	67,711	67,711

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

14. PROPERTY, PLANT AND EQUIPMENT (CONT.)

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 2016 are as follows:				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value as at 30 June 2016
Freehold land	-	-	5,225	5,225
Buildings	-	-	63,814	63,814

	Note	Consolidated 2017	Consolidated 2016
		\$'000	\$'000

15. GOODWILL

Gross carrying amount

Balance at the beginning of financial year		82,306	14,851
Additional amounts recognised from business combinations occurring during the period	39	-	67,455
Balance at the end of financial year		82,306	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		82,306	14,851
Balance at the end of the financial year		82,306	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 and De Costi Seafoods Pty Ltd acquired in FY16. 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% (2016: 8.00%). The calculations are based on management approved cashflows and financial projections to 2022, 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% (2016: 2.5%) per annum growth rate.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

16. OTHER INTANGIBLE ASSETS

	Consolidated 2017	Consolidated 2016
	\$'000	\$'000
Gross carrying amount		
Balance at the beginning of the financial year	24,184	24,184
Additional amounts recognised from acquisition of Superior Gold Brand	-	-
Balance at the end of the financial year	24,184	24,184
Accumulated impairment losses		
Balance at the beginning of the 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	24,184	24,184
Balance at the end of the 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 2017 is \$24.184 million (2016: \$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% (2016: 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 2018, and projections over a further forecast period to 2022, 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% (2016: 0.00%) per annum growth rate.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

17. OTHER NON-CURRENT ASSETS

	Consolidated 2017	Consolidated 2016
	\$'000	\$'000
Marine farming lease – at cost	826	826
Accumulated amortisation (i)	(484)	(454)
Selective breeding program contribution asset (ii)	4,679	4,393
	5,021	4,765

(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 \$4.679 million (2016: \$4.393 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.

19. CURRENT TRADE AND OTHER PAYABLES

Trade payables (i)	72,901	54,889
Other creditors and accruals	5,602	6,628
Goods and services tax (GST) payable	167	353
	78,670	61,870

(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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

20. CURRENT BORROWINGS	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Secured:		
At amortised cost		
Bank overdrafts (i)	-	-
Finance lease liabilities (ii)	12,605	8,842
Bank loans (iii)	17,393	18,295
	29,998	27,137
Unsecured:		
At amortised cost		
Other loans	-	-
	29,998	27,137
<p>(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.</p> <p>(ii) Secured by assets leased.</p> <p>(iii) Secured by assets, the value of which exceeds the loan liability.</p>		
21. CURRENT PROVISIONS		
Current provisions comprise:		
Employee benefits (refer to note 24)	9,788	6,850
	9,788	6,850
<p>(i) The current provision for employee entitlements includes \$1.373 million (2016: \$1.350 million) of annual leave and vested long service leave entitlements accrued but not expected to be taken within twelve months.</p>		
22. OTHER CURRENT FINANCIAL LIABILITIES		
Interest rate swap contracts	470	1,038
	470	1,038
23. NON-CURRENT BORROWINGS		
Secured:		
At amortised cost:		
Cash advance (i)	41,650	107,679
Finance lease liabilities (ii)	25,738	13,075
	67,388	120,754
<p>(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.</p> <p>(ii) Secured by assets leased.</p>		

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

24. NON-CURRENT PROVISIONS

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Employee benefits	1,798	1,592
The aggregate employee benefit liability recognised and included in the financial statements is as follows:		
Provision for employee benefits		
Current (refer to note 21)	9,788	6,850
Non-current	1,798	1,592
	11,586	8,442

25. ISSUED CAPITAL

	Note	Number	\$'000	Number	\$'000
(a) Ordinary share capital (fully paid):					
Ordinary shares		169,889,399	253,905	147,203,532	154,983
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		147,203,532	154,983	146,897,115	154,647
Issue of shares pursuant to dividend reinvestment plan	(i)	1,876,704	7,708	-	-
Issue of shares pursuant to business acquisition earn-out arrangement	(ii)	2,100,000	8,550	-	-
Issue of shares pursuant to share placement	(iii)	17,582,418	80,000	-	-
Share placement costs		-	(2,129)	-	-
Issue of shares pursuant to share purchase plan	(iv)	987,211	4,419	-	-
Issue of shares pursuant to executive long term incentive plan	(v)	139,534	374	306,417	336
Balance as at the end of the financial year		169,889,399	253,905	147,203,532	154,983

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 29 September 2016, 838,673 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of \$3.8318 per share. A discount of 2% was applicable.
On 31 March 2017, 1,038,031 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of \$4.33 per share. A discount of 2% was applicable.
- (ii) On 23 August 2016, 2,100,000 ordinary shares were issued to Rasin Holdings pursuant to the De Costi Seafoods business acquisition earn-out arrangement at an issue price of \$4.0715 per share.
- (iii) On 8 March 2017 17,582,418 ordinary shares were issued pursuant to a share placement at an issue price of \$4.55 per share to enable the Company to invest in a range of working capital and capital investment initiatives over the next five years.
- (iv) On 5 April 2017 987,211 ordinary shares were issued pursuant to a share purchase plan at an issue price of \$4.475 per share to enable the Company to invest in a range of working capital and capital investment initiatives over the next five years.
- (v) On 23 August 2016, 139,534 ordinary shares were issued pursuant to the Company's Long Term Incentive Plan at an issue price of \$2.681 per share. There was no exercise price paid on this conversion.
58,395 fully paid ordinary shares in respect of the performance rights granted during the year ended 30 June 2015 and which vested on 30 June 2017 will be issued in FY18 pursuant to the Company's Long-term Incentive Plan.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

Previous financial year

(v) On 26 August 2015, 306,417 ordinary shares were issued pursuant to the Company's Long Term Incentive Plan at an issue price of \$1.0955 per share. There was no exercise price paid on this conversion.

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
26. RESERVES		
Hedging	(329)	(727)
Equity-settled employee benefits	1,493	1,540
Asset revaluation	12,700	12,700
	13,864	13,513
(a) Hedging reserve		
Balance at the beginning of the financial year	(727)	(162)
Gain / (loss) recognised on cashflow hedges:		
Interest rate swap contracts	569	(807)
Income tax related to gains / (losses) recognised in equity	(171)	242
Balance at the end of the financial year	(329)	(727)

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		
Balance at the beginning of the financial year	1,540	1,542
Share-based payment	327	334
Issue of shares pursuant to Executive Long Term Incentive Plan	(374)	(336)
Balance at the end of the financial year	1,493	1,540

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		
Balance as at the beginning of the financial year	12,700	8,615
Revaluation increments / (decrements)	-	5,836
Deferred tax liability arising on revaluation	-	(1,751)
Balance at the end of the financial year	12,700	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).

27. RETAINED EARNINGS

Balance at the beginning of the financial year	235,840	208,691
Net profit attributable to members of the parent entity	58,083	48,493
Dividends provided for or paid (refer to note 29)	(23,798)	(21,344)
Balance at the end of the financial year	270,125	235,840

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

28. EARNINGS PER SHARE (EPS)

	Consolidated 2017	Consolidated 2016
	(Cents per share)	(Cents per share)
Earnings per ordinary share		
Basic (cents per share) (i)	37.28	32.95
Diluted (cents per share) (ii)	37.14	32.78
<p>(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.</p> <p>(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.</p>		
	2017	2016
	No. '000	No. '000
Weighted average number of ordinary shares used as the denominator in the calculation of EPS		
Number for basic EPS	155,786	147,157
Shares deemed to be issued for no consideration in respect of performance rights issued pursuant to Long-term Incentive Plan	585	759
Number for diluted EPS	156,371	147,916
	2017	2016
	\$'000	\$'000
Earnings used as the numerator in the calculation of EPS		
(i)		
Earnings for basic EPS	58,083	48,493
Earnings for diluted EPS	58,083	48,493

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

	Year Ended 30 June 2017		Year Ended 30 June 2016	
	Cents per share	\$'000	Cents per share	\$'000
29. DIVIDENDS				
(a) Recognised amounts				
Fully paid ordinary shares				
Interim dividend in respect of current financial year	7.50	12,590	7.50	11,040
Final dividend paid in respect of prior financial year	7.50	11,208	7.00	10,304
	15.00	23,798	14.50	21,344

(b) Unrecognised amounts				
Fully paid ordinary shares				
Final dividend in respect of current financial year	7.50	12,742	7.50	11,208

On 23 August 2017, the Directors declared a final dividend of \$12.742 million (7.50 cents per ordinary share) in respect of the financial year ended 30 June 2017. The final dividend will be fully franked. The record date for determining entitlements to this dividend is 11 September 2017. The final dividend will be paid on 29 September 2017.

The final dividend in respect of ordinary shares for the year ended 30 June 2017 has not been recognised in these financial statements because the final dividend was declared subsequent to 30 June 2017.

No portion of the final dividend declared for the financial year ended 30 June 2017 constitutes Conduit Foreign Income.

	Consolidated 2017 '000	Consolidated 2016 '000
Franking account balance	6,065	2,730

	Consolidated 2017 \$'000	Consolidated 2016 \$'000

30. COMMITMENTS FOR EXPENDITURE ⁽ⁱ⁾

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Capital expenditure commitments		
Plant and equipment		
Not longer than 1 year	21,678	18,873
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	21,678	18,873

(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 2017 cont.

Tassal Group Limited and Controlled Entities

31. LEASES

(a) Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	Consolidated		Consolidated	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Not later than 1 year	14,391	9,876	12,605	8,842
Later than 1 year and not later than 5 years	27,851	13,898	25,738	13,075
Later than 5 years	-	-	-	-
Minimum lease payments*	42,242	23,774	38,343	21,917
Less future finance charges	(3,899)	(1,857)	-	-
Present value of minimum lease payments	38,343	21,917	38,343	21,917
Included in the financial statements as:				
Current borrowings (refer to note 20)			12,605	8,842
Non-current borrowings (refer to note 23)			25,738	13,075
			38,343	21,917

* 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 2017 \$'000	Consolidated 2016 \$'000
Not longer than 1 year	22,388	17,428
Longer than 1 year and not longer than 5 years	43,057	41,879
Longer than 5 years	19,912	21,594
	85,357	80,901

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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

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	
		2017	2016
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 2017 cont.

Tassal Group Limited and Controlled Entities

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 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.

2017	Domestic Segment \$'000	Export Segment \$'000	Consolidated \$'000
Sales (1)	400,581	44,135	444,716
Segment operational EBITDA	80,882	8,086	88,968
Contingent consideration	-	-	(6,727)
Fair value adjustment of biological assets	-	-	32,312
Statutory EBITDA	-	-	114,553
Depreciation expense	-	-	(20,935)
Finance costs	-	-	(8,062)
Profit before income tax expense	-	-	85,556
Income tax expense	-	-	(27,473)
Profit for the period	-	-	58,083
(1) Sales Information	Salmon \$'000	Seafood \$'000	Total \$'000
Domestic wholesale	144,072	25,797	169,869
Domestic retail	186,867	43,845	230,712
Export	40,919	3,216	44,135
Total sales	371,858	72,858	444,716
2016	Domestic Segment \$'000	Export Segment \$'000	Consolidated \$'000
Sales (1)	412,139	13,046	425,185
Segment operational EBITDA	79,709	2,474	82,183
Fair value adjustment of biological assets	-	-	15,111
Statutory EBITDA	-	-	97,294
Depreciation expense	-	-	(21,010)
Finance costs	-	-	(7,374)
Profit before income tax expense	-	-	68,910
Income tax expense	-	-	(20,417)
Profit for the period	-	-	48,493
(1) Sales Information	Salmon \$'000	Seafood \$'000	Total \$'000
Domestic wholesale	96,739	24,863	121,602
Domestic retail	250,184	40,353	290,537
Export	12,210	836	13,046
Total sales	359,133	66,052	425,185

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 \$400,581 thousand (2016: \$412,139 thousand) are sales of \$183,480 thousand (2016: \$209,996 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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

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 associate).

(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 2017	Consolidated 2016
	\$	\$
Salmon Enterprises of Tasmania Pty Ltd	6,806,115	6,648,754
	6,806,115	6,648,754

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

37. NOTES TO THE STATEMENT OF CASHFLOWS

	Consolidated 2017	Consolidated 2016
	\$'000	\$'000
(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:		
Cash and cash equivalents	30,561	12,521
Bank overdrafts	-	-
	30,561	12,521
(b) Reconciliation of profit for the period to net cashflows from operating activities:		
Profit for the period	58,083	48,493
Depreciation and amortisation of non-current assets	20,935	21,010
Depreciation – impact of allocation to cost of live and processed fish inventories	2,356	1,000
Net (increment)/decrement in biological assets	(30,931)	(21,433)
Net (increment)/decrement in biological assets at point of harvest	(1,381)	6,322
Share of associates' and jointly controlled entities' profits	43	78
Equity settled share-based payment	8,877	334
(Increase) / decrease in assets:		
Inventories (i)	(648)	(1,336)
Biological assets (i)	(35,371)	(1,763)
Trade and other receivables	3,180	(11,266)
Prepayments	(163)	(3,656)
Other current financial assets	2,856	(3,276)
Other non-current financial assets	(2,578)	11
Other non-current assets	(286)	(5,963)
Increase / (decrease) in liabilities:		
Current trade and other payables	10,348	6,344
Other current financial liabilities	(171)	242
Other current liabilities	-	(14)
Current tax liability	(6,501)	8,986
Current provisions	2,937	1,467
Deferred tax balances	19,573	4,282
Non-current provisions	206	361
Net cash provided by operating activities	51,364	50,223

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

37. NOTES TO THE STATEMENT OF CASHFLOWS (CONT.)

	Consolidated 2017 \$'000	Consolidated 2016 \$'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	47,761	113,790
- Amount unused	133,128	23,210
	180,889	137,000
Revolving lease finance facilities subject to annual review with individual lease terms no greater than 10 years		
- Amount used	49,625	33,922
- Amount unused	20,575	16,278
	70,200	50,200

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 use of financial derivatives is governed by the consolidated entity's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

The consolidated entity does not enter into or trade financial instruments, including derivative instruments, for speculative purposes.

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.

(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 24, 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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

38. FINANCIAL INSTRUMENTS (CONT.)

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	
	2017 \$'000	2016 \$'000
Financial assets		
Debt (i)	97,386	147,891
Cash and cash equivalents	(30,561)	(12,521)
Net debt	66,825	135,370
Equity (ii)	537,894	404,336
Net debt to equity ratio	12.42%	33.48%

(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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

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	
	2017	2016	2017	2016	2017	2016
	%	%	\$'000	\$'000	\$'000	\$'000
1 to 3 years	2.41	2.41	60,000	80,000	(470)	(1,038)
			60,000	80,000	(470)	(1,038)

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	
	2017 \$'000	2016 \$'000
Financial Assets		
Cash and cash equivalents	306	125
Total Profit / (Loss)	306	125

(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 2017 cont.

Tassal Group Limited and Controlled Entities

38. FINANCIAL INSTRUMENTS (CONT.)

Consolidated

	Average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total
2017	%	\$'000	\$'000	\$'000	\$'000
Financial assets					
<i>Non-interest bearing:</i>					
Trade receivables	-	14,981	-	-	14,981
Other receivables	-	7,139	-	-	7,139
Other financial assets	-	862	2,584	43	3,489
<i>Variable interest rate:</i>					
Cash and cash equivalents	0.55%	30,561	-	-	30,561
<i>Fixed interest rate maturity:</i>					
Other financial assets	9.00%	6	-	-	6
		53,549	2,584	43	56,176
Financial liabilities					
<i>Non-interest bearing:</i>					
Trade payables	-	72,901	-	-	72,901
Other payables	-	5,769	-	-	5,769
<i>Variable interest rate:</i>					
Cash advance	1.76%	6,111	41,650	-	47,761
<i>Fixed interest rate maturity:</i>					
Interest rate swaps	2.41%	470	-	-	470
Finance lease liabilities	5.74%	12,605	25,738	-	38,343
Bank loans	2.87%	11,282	-	-	11,282
Other loans	-	-	-	-	-
		109,138	67,388	-	176,526

Fair value hierarchy				
Item	Fair value as at:		Fair value hierarchy	Valuation techniques
	30/06/2017	30/06/2016		
Interest rate swaps	\$'000 470	\$'000 1,038	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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

38. FINANCIAL INSTRUMENTS (CONT.)

Consolidated

	Average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total
2016	%	\$'000	\$'000	\$'000	\$'000
Financial assets					
<i>Non-interest bearing:</i>					
Trade receivables	-	22,121	-	-	22,121
Other receivables	-	3,179	-	-	3,179
Other financial assets	-	3,713	-	43	3,756
<i>Variable interest rate:</i>					
Cash and cash equivalents	0.80%	12,521	-	-	12,521
<i>Fixed interest rate maturity:</i>					
Other financial assets	9.00%	11	6	-	17
		41,545	6	43	41,594
Financial liabilities					
<i>Non-interest bearing:</i>					
Trade payables	-	54,889	-	-	54,889
Other payables	-	6,981	-	-	6,981
<i>Variable interest rate:</i>					
Cash advance	2.05%	6,111	107,679	-	113,790
<i>Fixed interest rate maturity:</i>					
Interest rate swaps	2.41%	1,038	-	-	1,038
Finance lease liabilities	6.24%	8,842	13,075	-	21,917
Bank loans	3.95%	12,184	-	-	12,184
Other loans	-	-	-	-	-
		90,045	120,754	-	210,799

(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 2017 cont.

Tassal Group Limited and Controlled Entities

39. CONTINGENT CONSIDERATION

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Current	7,980	8,635
Non-current	6,984	8,152
	14,964	16,787

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Reconciliation of movement in Contingent Consideration		
Balance at the beginning of the financial year	16,787	16,787
Issue of shares pursuant to business acquisition earn-out arrangement	(8,550)	-
Contingent consideration expense	6,727	-
Balance at the end of the financial year	14,964	16,787

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 resulted in the vendors becoming entitled to 2.0 million shares in Tassal Group Ltd. These shares will be issued in August 2017.

Management's assessment is that the continuing performance of De Costi Seafoods means that it is probable an earn-out will vest in year 3 of the earn-out period. Accordingly, an increase to the contingent consideration liability and a corresponding expense of \$6.727 million has been included in the 2017 result.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2017 cont.

Tassal Group Limited and Controlled Entities

40. 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.

Statement of financial position	Company 2017	Company 2016
	\$'000	\$'000
Current Assets		
Trade and other receivables	235,537	143,050
Total Current Assets	235,537	143,050
Non-Current Assets		
Other financial assets	28,119	28,119
Deferred tax assets	157	191
Total Non-current Assets	28,276	28,310
Total Assets	263,813	171,360
Current Liabilities		
Current tax liability	4,415	10,916
Total Current Liabilities	4,415	10,916
Total Liabilities	4,415	10,916
Net Assets	259,398	160,444
Equity		
Issued capital	253,905	154,983
Reserves	1,493	1,540
Retained earnings	4,000	3,921
Total Equity	259,398	160,444
Statement of comprehensive income	Company 2017	Company 2016
	\$'000	\$'000
Profit for the period	23,798	21,344
Other comprehensive income	-	-
Total comprehensive income	23,798	21,344

DIRECTORS' DECLARATION

Tassal Group Limited and Controlled Entities

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 37- 81 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 2017 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 34 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 2017.

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

Hobart, this 23rd day of August 2017

INDEPENDENT AUDITOR'S REPORT**Tassal Group Limited and Controlled Entities****Deloitte.**Deloitte Touche Tohmatsu
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www.deloitte.com.au**Independent Auditor's Report to the Members of the
Tassal Group Limited****Report on the Audit of the Financial Report***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 2017, 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 2017 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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT

Tassal Group Limited and Controlled Entities

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 Refer to Note 1(w) Biological Assets – Live Finfish and Note 9 Biological Assets</p> <p>As disclosed in note 9, the Group has biological assets valued at \$312.405 million at 30 June 2017. 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>There is inherent estimation uncertainty included in the valuation and accordingly was a key audit matter.</p>	<p>With the support of our valuation specialists, our procedures included, amongst others:</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 FY18 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 FY18 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 FY18 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 • evaluating the adequacy of the disclosures in the financial report
<p>Acquisition accounting for De Costi Seafoods Refer to Note 39 Contingent Consideration</p> <p>As disclosed in note 39, Tassal acquired De Costi Seafoods Pty Ltd ("De Costi") on 1 July 2015.</p> <p>In terms of the Share Sale Agreement, in addition to the initial upfront payment, contingent consideration in the form of an equity earn-out over a three year period is available if certain conditions are met. The appropriate accounting for this transaction required management to exercise significant judgement to determine the fair value of the earn out payable (in newly issued Tassal shares) to the vendors in accordance with the Share Sale Agreement, which includes:</p> <ul style="list-style-type: none"> • determining if targets were met at 30 June 2017; and • an estimation of the probabilities of reaching certain financial targets as at 30 June 2018 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • testing and challenging the key assumptions used by management in determining the fair value of the future earn-out payable as at 30 June 2017, which included, <ul style="list-style-type: none"> ○ consideration of actual results achieved for FY17; ○ confirmation from the vendor of the agreed position in respect of the FY17 earn-out; ○ comparison of accrual at 30 June 2017 in respect of the FY18 earn-out to the Board approved budget for FY18; ○ reviewing accuracy of the FY17 budget for De Costi to actual results achieved for FY17 ○ where relevant agreeing inputs to those used in our impairment testing; • evaluating the adequacy and completeness of the disclosures in the financial report, in relation to the acquisition.

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 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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.

INDEPENDENT AUDITOR'S REPORT

Tassal Group Limited and Controlled Entities

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.
- 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 pages 17 to 29 of the Directors' Report for the year ended 30 June 2017.

INDEPENDENT AUDITOR'S REPORT

Tassal Group Limited and Controlled Entities

In our opinion, the Remuneration Report of Tassal Group Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Hobart, 23 August 2017

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Tassal Group Limited and Controlled Entities

The following additional information is provided in accordance with the ASX Listing Rules as at 21 August 2017.

Number of holder of equity securities

Ordinary share capital (quoted)

169,889,399 fully paid ordinary shares are held by 9,382 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)

611,694 performance rights granted pursuant to the Company's Long-term Incentive Plan are held by 17 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	2,958	1,441,876	0.85	-	-	-
1,001 - 5,000	4,278	10,982,627	6.46	-	-	-
5,001 - 10,000	1,244	9,165,384	5.39	4	31,605	5.17
10,001 - 100,000	860	19,630,493	11.55	12	411,845	67.33
100,001 and over	42	128,669,019	75.74	1	168,244	27.50
Rounding			0.01	-	-	-
	9,382	169,889,399	100.00	17	611,694	100.00

The number of shareholders holding less than a marketable parcel of 126 fully paid ordinary shares on 21 August 2017 is 376 and they hold 9,382 fully paid ordinary shares.

Substantial shareholders

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	10,233,819	6.95%
Tribeca Investment Partners Pty Ltd	9,725,608	6.61%
Dimensional Entities	8,838,893	6.005%
National Australia Bank Limited	7,396,802	5.025%
Westpac Banking Corporation Limited (ceasing to be a substantial shareholder 11.09.15)		
BT Investment Management Ltd (ceasing to be a substantial shareholder 14.08.15)		

ADDITIONAL STOCK EXCHANGE INFORMATION

Tassal Group Limited and Controlled Entities

Twenty largest holders of quoted ordinary shares

On-market buy-back

Rank	Name	Units	% Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	42,704,549	25.14
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	33,423,612	19.67
3	CITICORP NOMINEES PTY LIMITED	16,354,384	9.63
4	NATIONAL NOMINEES LIMITED	10,913,604	6.42
5	ARGO INVESTMENTS LIMITED	6,214,975	3.66
6	BNP PARIBAS NOMS PTY LTD <DRP>	3,202,931	1.89
7	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MBA A/C>	2,348,000	1.38
8	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,502,569	0.88
9	RASIN HOLDINGS PTY LTD <G & A COSTI INVESTMENT A/C>	1,412,000	0.83
10	MIRRABOOKA INVESTMENTS LIMITED	1,210,992	0.71
11	BRAZIL FARMING PTY LTD	1,200,000	0.71
12	AMP LIFE LIMITED	1,078,729	0.63
13	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	618,426	0.36
14	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	530,754	0.31
15	MR BRIAN GREGORY WRIGHT + MRS PATRICIA GLADYS WRIGHT <BG WRIGHT SERVICES SUPER A/C>	493,000	0.29
16	MR MARK RYAN	360,378	0.21
17	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	354,024	0.21
18	MR HERMAN ROCKEFELLER	338,182	0.20
19	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	330,382	0.19
20	MR BRIAN GREGORY WRIGHT	330,000	0.19
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		124,921,491	73.53
Total Remaining Holders Balance		44,967,908	26.47

There is no current on-market buy-back.