



23 February 2018

The Manager, Listings  
Australian Securities Exchange  
Company Announcements Office  
Level 4,  
Exchange Centre  
20 Bridge Street  
Sydney, NSW 2000

**Via e-lodgement**

Dear Sir

**Tassal Group Limited (TGR): Market Release**  
**Results for the Half-Year Ended 31 December 2017**

We attach the following:

1. Results Announcement for the Half-Year Ended 31 December 2017.
2. Appendix 4D – "Half-Year Report" incorporating the consolidated financial report and the Directors' Report.
3. Media Release.
4. Investor Presentation – Results for the six months ended 31 December 2017.

Please release this information to the market.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Monika Maedler".

Monika Maedler  
Company Secretary  
Tassal Group Limited



## **TASSAL GROUP LIMITED**

**ABN 15 106 067 270**

### **APPENDIX 4D**

### **HALF-YEAR REPORT**

**for the Half-Year ended 31 December 2017**

**(previous corresponding period: Half-Year ended 31 December 2016)**

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### **RESULTS FOR ANNOUNCEMENT TO THE MARKET**

#### **Compliance Statement**

1. The attached financial report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Interpretations or other standards acceptable to ASX.
2. The attached financial report, and the accounts upon which the report is based, use the same accounting policies.
3. The attached financial report gives a true and fair view of the matters disclosed.
4. The attached financial report has been independently reviewed by the Company's auditors. The financial report is not subject to a qualified independent review statement.
5. The entity has a formally constituted Audit Committee.

A handwritten signature in black ink, appearing to read "A. McCallum".

A. McCallum  
Chairman  
Tassal Group Limited  
Hobart, 23 February 2018



**TASSAL GROUP LIMITED**  
ABN 15 106 067 270

**APPENDIX 4D**  
**HALF-YEAR REPORT**  
**for the Half-Year ended 31 December 2017**  
**(previous corresponding period: Half-Year ended 31 December 2016)**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

	Half-Year ended 31 December 2017 \$'000	Half-Year ended 31 December 2016 \$'000	Period Movement up / (down) \$'000	Period Movement up / (down) %
Revenue (from all sources)	271,325	219,387	51,938	23.67
EBITDA	56,735	53,468	3,267	6.11
EBIT	44,171	43,578	593	1.36
Profit before income tax expense attributable to members	40,420	39,448	972	2.46
Income tax expense	(12,008)	(11,715)	293	2.50
Net profit after income tax expense attributable to members	28,412	27,733	679	2.45
Basic EPS – cents per share	16.52cps	18.58cps		

<b>Dividends (Ordinary Shares)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final dividend: - Previous financial year – payment date 29 September 2017	7.50c	7.50c
Interim dividend: - Current reporting period * - payment date 29 March 2018 - Previous corresponding period – payment date 31 March 2017	8.00c 7.50c	8.00c 7.50c

\*The financial effect of the Interim Dividend in respect of the current reporting period will be recognised in the next reporting period because it has been declared subsequent to 31 December 2017

Record date for determining entitlements to the Interim Dividend	15 March 2018
Date of payment of Interim Dividend	29 March 2018

**Brief explanation of any of the figures reported above necessary to enable figures to be understood.**

Refer to the "Review of Operations" section at Item 4 in the accompanying Directors' Report which forms part of the Appendix 4D Half-Year Report, together with the Company's H1 2018 results media release.



# TASSAL GROUP LIMITED

ABN 15 106 067 270

## APPENDIX 4D

### HALF-YEAR REPORT

for the Half-Year ended 31 December 2017

(previous corresponding period: Half-Year ended 31 December 2016)

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reported Earnings Per Ordinary Fully Paid Share (EPS)	Current Period	Previous Corresponding Period
Basic EPS – cents per share	16.52	18.58
Diluted EPS – cents per share	16.46	18.51

  

NTA Backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	\$2.65	\$2.18

**TABLE A: Impact of AASB 141 “Agriculture”.**

The following tables illustrate the effect on net profit after income tax from applying the AASB 141 “Agriculture” accounting standard.

Half-year ended 31 December 2017	AASB 141 Impact \$'000
Revenue (from all sources)	\$0
EBITDA	\$3,524
EBIT	\$3,524
Profit before income tax expense	\$3,524
Income tax expense	\$(1,057)
Net profit after income tax expense	\$2,467

Half-year ended 31 December 2016	AASB 141 Impact \$'000
Revenue (from all sources)	\$0
EBITDA	\$10,387
EBIT	\$10,387
Profit before income tax expense	\$10,387
Income tax expense	\$(3,116)
Net profit after income tax expense	\$7,271

Monika Maedler  
Company Secretary  
Tassal Group Limited  
23 February 2018



# **Tassal Group Limited**

**and its Controlled Entities**

**ABN 15 106 067 270**

## **Appendix 4D: Half-Year Report (Pursuant to Listing Rule 4.2A)**

**Financial Report for the Half-Year Ended  
31 December 2017**

(The Half-Year financial report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, it is recommended that the Half-Year Report is read in conjunction with the Annual Financial Report of Tassal Group Limited for the Financial Year ended 30 June 2016 together with any public announcements made by Tassal Group Limited and its controlled entities during the half-year ended 31 December 2017 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange).

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# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

The Directors of Tassal Group Limited ("Tassal" or "the Company") submit the financial report for the half-year ended 31 December 2017 of the consolidated entity, being the Company and its controlled entities.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

## 1. DIRECTORS

The names of the Directors of Tassal Group Limited who held office at any time during or since the end of the half-year are:

**Name:**

Mr Allan McCallum (Chairman)  
Mr Mark Ryan (Managing Director and Chief Executive Officer)  
Mr Trevor Gerber  
Mr Christopher Leon  
Mr Michael Carroll  
Ms Raelene Murphy

## 2. PRINCIPAL ACTIVITIES

During the half-year the principal activities of the consolidated entity were the farming of Atlantic Salmon, and the processing and marketing of Salmon and Seafood.

## 3. REVIEW OF OPERATIONS

The Directors of Tassal Group Limited (**Tassal**) are pleased to present the Company's Appendix 4D: Half Year Report to 31 December 2017 (**1H18**).

Tassal is delivering on its growth ambitions – generating responsible and sustainable biomass growth, while increasing operating, financial and shareholder returns.

### A record half-year result across all key operational and financial metrics

- **Operating earnings growing in line with revenue**
  - **Favourable market dynamics in domestic salmon market**
    - **Strong per capita consumption growth:** Our strategic focus remains to optimise salmon per capita consumption growth in the domestic market, targeting 10% growth per annum. Over 1H18, Tassal grew domestic volumes by 11.6%.
    - **Optimising salmon sales mix:** Domestic wholesale market volume was up 23.2%, with a balanced position maintained in the retail market. As a result, the higher margin wholesale market was 47.0% of domestic sales volume (1H17: 42.6%). Wholesale salmon, fresh head on gutted (**HOG**) pricing was maintained from FY17 levels, with significant growth in retail fresh packaged (**MAP**) products, where Tassal maintains a strong capability and distribution advantage.
  - **Efficiency benefits flowing from a more optimal salmon harvest biomass and size:** Tassal's ideal fish size target of 5.0kg HOG average, enables the sales mix to be optimised, while delivering on significant cost out and efficiency initiatives. Salmon harvested in 1H18 achieved an average fish size of 5.11 kg HOG. Harvest tonnage was up 62.6% to 18,648 HOG tonnes (1H17: 11,467 HOG tonnes) with sales volume up 43.7% to 16,908 HOG tonnes (1H17: 11,761 HOG tonnes).
- **Strong operating returns and operating cashflow:** Tassal's focus is on optimising EBITDA returns, not just 'cost out'. Tassal's optimised sales mix and pricing returns generated productivity gains, with EBITDA up 23.5% to \$53.2 million (1H17: \$43.1 million). Operating cashflow was up 69.2% to \$40.6 million (1H17: \$24.0 million).
- **Export market strategically targeted:** Due to the high capital and fixed overhead component of salmon farming, the more optimal the average fish size, the better the cost of growing across a Year Class. Bigger fish deliver cost and yield efficiencies, and meet the demand dynamics of the Asian market.

To capitalise on 1H18 fish growth, despite lower export market pricing, export sales comprised 30% of total sales with volume up 315% to 5,167 HOG tonnes (1H17: 1,245 HOG tonnes). While export contribution margin was down due to market pricing, it still provided a balanced overall business outcome.

# DIRECTORS' REPORT

## Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

Export sales in 2H18 will be significantly less, with overall FY18 export levels forecast to reduce to c20% of total salmon sales volume.

- **De Costi Seafoods continues to drive salmon and seafood sales:** Focused on highly innovative product and packaging formats, De Costi Seafoods is driving sales of higher margin products.
- **Tassal has been significantly de-risked:** The capital raising (share placement and share purchase plan) from 2H17 raised net proceeds of \$82.5 million. This raising, together with very strong growth in operating cashflow and a responsible capital spend has further strengthened the balance sheet – providing added flexibility for the next investment cycle:
  - Gearing ratio, being net debt to equity, reduced to 13.0% (1H17: 34.6%)
  - Funding ratio (gearing ratio including Receivables Purchase Facility) reduced to 26.1% (1H17: 46.9%).

Our vision to be the world leader in responsible ocean farming includes a \$275 million capital investment program over the next five years, where every Tassal farm is nurtured through unique environmental benefit initiatives tailored directly to its climate and characteristics.

- **Operational earnings per share (EPS) strong:** Operational EPS was up 10% to 15.09 cents per share (1H17: 13.71 cents per share).
- **Aquaculture Stewardship Council (ASC) certification maintained 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, making it challenging to maintain certification. Tassal is one of only two salmon producers globally to receive ASC certification across all its harvest operations.
- **World Wildlife Fund-Australia (WWF) partnership strengthened through Marine Spatial Planning (MSP) principles:** MSP for WWF-Australia includes a deep assessment of environmental, operational, shared marine user and social overlay, to make informed decisions about how to use marine resources sustainably. We are committed to this world-leading standard for greenfield sites to achieve responsible growth.
- **Franklin lease continues to recover:** The challenges at Macquarie Harbour are complex and Tassal takes its responsibilities seriously. As expected, the Franklin lease in Macquarie Harbour has now returned to compliance from an 'out of lease compliance' perspective and in-fauna abundance is returning. Tassal has 'out of lease' compliance across all three leases in the harbour. and stable production and harvest levels.
- **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
  - prudent commercial management.

## 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 1H18 were:

Half Year ended 31 December 2017	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Profit \$'000
Revenue (from all sources)	\$271,325	\$0	\$271,325	\$0	\$271,325
EBITDA	\$56,735	\$0	\$56,735	(\$3,524)	\$53,211
EBIT	\$44,171	\$0	\$44,171	(\$3,524)	\$40,647
Profit before income tax expense	\$40,420	\$0	\$40,420	(\$3,524)	\$36,896
Income tax expense	(\$12,008)	\$0	(\$12,008)	\$1,057	(\$10,951)
<b>Net profit after income tax expense</b>	<b>\$28,412</b>	<b>\$0</b>	<b>\$28,412</b>	<b>(\$2,467)</b>	<b>\$25,945</b>



# DIRECTORS' REPORT

## Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

This compares to the 1H17 results:

Half Year ended 31 December 2016	Statutory Profit \$'000	Non Recurring Items \$'000	Underlying Profit \$'000	AASB 141 Impact \$'000	Operational Profit \$'000
Revenue (from all sources)	\$219,387	\$0	\$219,387	\$0	\$219,387
EBITDA	\$53,468	\$0	\$53,468	(\$10,387)	\$43,081
EBIT	\$43,578	\$0	\$43,578	(\$10,387)	\$33,191
Profit before income tax expense	\$39,448	\$0	\$39,448	(\$10,387)	\$29,061
Income tax expense	(\$11,715)	\$0	(\$11,715)	\$3,116	(\$8,599)
<b>Net profit after income tax expense</b>	<b>\$27,733</b>	<b>\$0</b>	<b>\$27,733</b>	<b>(\$7,271)</b>	<b>\$20,462</b>

### Statutory results

Biological assets are valued up / down at the end of each financial period under accounting standard AASB 141 'Agriculture' (SGARA). The SGARA calculation is applicable to Tassal's salmon biological assets and allows the future value of those biological assets to be determined on the basis of net market value and volume.

Over FY17 there was a step change in growth, with live biomass increasing from 15,687 tonnes (30 June 2016) to 21,760 tonnes (30 June 2017). Given this growth, the focus for 1H18 was to harvest a significant amount of this stock before summer 2017/2018, resulting in 18,648 HOG tonnes being harvested during this period.

Despite the additional tonnes harvested in 1H18, the live biomass for Tassal at 31 December 2017 increased to 22,704 tonnes, resulting in a positive increment in SGARA value of \$2.5 million after tax.

The key 1H18 statutory financial results were:

- Revenue up 23.7% to \$271.3 million (1H17: \$219.3 million)
- EBITDA up 6.1% to \$56.7 million (1H17: \$53.5 million)
- EBIT up 1.4% to \$44.2 million (1H17: \$43.6 million)
- NPAT up 2.4% to \$28.4 million (1H17: \$27.7 million).

### Underlying results

Underlying results adjust statutory profit to reflect the ongoing business activities of the company. There were no adjustments for 1H18.

### Operational results

Reflecting the underlying performance of the business, without the impact of the SGARA calculation, the key 1H18 operational results (vs 1H17) were:

- EBITDA up 23.5% to \$53.2 million (1H17: \$43.1 million)
- EBIT up 22.5% to \$40.6 million (1H17: \$33.2 million)
- NPAT up 26.8% to \$25.9 million (1H17: \$20.5 million).

### Operating cashflow

Operating Cashflow (A\$m)	1H18	1H17
Operating cashflow	40.57	24.02
Investing cashflow	(39.48)	(30.44)
Financing cashflow	2.16	6.64
<b>Net increase/(decrease) in cash held</b>	<b>3.25</b>	<b>0.22</b>

The exceptional growth in operating cashflow, up 69% to \$40.6 million (1H17: \$24.0 million), reflected the strength of Tassal's underlying business and operational strategy, and in particular, the company's ability to convert biomass held at 30 June 2017 into cash by 31 December 2017.

Tassal will continue to focus on increasing operating cashflows to enable investment in fish growth (number and weight) perspective, while undertaking responsible capital spend to underpin sustainable growth in long-term returns.

# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

## Financial returns

Tassal's 1H18 performance reflects the Company's clear focus on optimising fish growth and margins, allowing Tassal to match fish to sales market demand both domestically and internationally – optimising sales mix and margins:

- Statutory return on assets (EBIT/Total Assets) up to 10.3% (1H17: 9.9%)
- Statutory basic earnings per share of 16.52 cents (1H17: 18.58 cents)
- Operational return on assets up to 9.9% (1H17: 9.3%)
- Operational basic earnings per share up to 15.09 cents (1H17: 13.71 cents).

The Company's balance sheet further strengthened:

- Gearing ratio, as represented by net debt to equity reduced to 13.0% (31 December 2017: 34.6%) – underpinned by the Company's successful capital raising in 2H17 as well as growing sales driving higher operating cashflows
- In line with the decrease in Gearing ratio, the funding ratio, as represented by net debt + receivable purchase facility to equity, reduced to 26.1% (31 December 2017: 46.9%).

## Dividend declared and DRP

Reflecting the Company's strong balance sheet, operating cashflows, growth outlook and increased shares on issue, the Directors of Tassal increased the interim fully franked 1H18 dividend to 8.00 cps (1H17: 7.50 cps). The record and payment dates for this interim dividend are 15 and 29 March 2018, respectively.

The Company's Dividend Reinvestment Plan (DRP) will apply to the 1H18 interim dividend, and shareholders electing to participate in the non-underwritten DRP will receive a 2% discount.

## Business Performance – Right to Operate

For Tassal, our commitment is to continue to serve better: better quality salmon, better environmental outcomes; better community opportunity and an overall better future for our people and communities. Tassal's strategic priorities supporting our Right to Operate are:

- **Environment:** Maintaining world leading, independently audited, environmental certification.
- **Societal/Community Value:** Increasing investment and promotion of societal/community value credentials with a dedicated Community Foundation framework, regional Community Advisory Groups, 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 for Everyone, Everywhere

### 1. Environment

Tassal has undertaken research and development over the past six years to support safe operations in some of the wildest conditions farmed globally, and it is timely to commence a transitional process towards future off-shore farming in 2018, a decision centering on smarter and more responsible farming.

We share many inshore leases that are environmentally sustainable and enjoy excellent environmental compliance. We will continue to farm salmon on leases demonstrating a balanced environmental, commercial and socially accepted position.

Our vision to be the world leader in responsible ocean farming includes a \$275 million capital investment program over the next five years, where every Tassal farm is nurtured through unique environmental benefit initiatives tailored directly to its climate and characteristics.

By 2025 we are focused on achieving the following, some of which we are already achieving:

- World class biosecurity and fish welfare practices
- A focus for future grow-out sites to be off-shore oceanic farms
- Producing Tasmania's largest smolt in our land-based nurseries, to minimise their impact on marine environments before transitioning to sea-based nurseries and then higher energy oceanic conditions
- Investing in eco-aquaculture projects at all our existing farms to offset environmental impacts and rejuvenate local, native species for an improved marine environment
- Ensuring all our ocean sites feature the world-leading sanctuary enclosures, allowing fish to be hand-raised with plenty of room to swim and grow safely and healthily: a ratio of 99% water to 1% fish
- Substantial progression of current trials into adoption of natural, organic feed materials
- Adopting carbon-neutral innovations focused on renewable energy, recycling and reuse

# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

- 100% regulatory compliance across all leases
- 100% ASC certification across all our harvest produce
- 100% fully traceable, responsibly sourced seafood.

## 2. Societal/Community Value – Shared Value

We understand that ensuring a comprehensive approach to growth planning is paramount – particularly as we grow into new areas. This planning must include a deep assessment of environmental, operational, shared user and social overlays.

We are very proud Tassal has created and generated a substantial number of jobs in Tasmania. With our ocean farms established in economically and socially fragile communities, the Company's investments into local people, organisations, businesses, state taxes, salaries and wages build better supply chains and improve social outcomes and access to better services for Tasmanians – this is the concept of shared value, i.e. bettering communities will better Tassal and vice versa.

We are committed to a responsible, successful business strategy to improve shared value in our farming regions. Considerable sustainability outcomes have been achieved through ASC accreditation, our valued partnership with WWF-Australia, and our consistent benchmarking in the top three companies globally by *Seafoodintel.com* for transparent corporate sustainability reporting. Yet we recognise more than ever it is equally vital to establish strong, healthy partnerships with our communities to achieve mutually satisfactory benefits and outcomes.

Our WWF-Australia partnership has been strengthened through the principles of MSP. MSP includes a deep assessment of environmental, operational, share user and social overlay, bringing together multiple stakeholders and users of the ocean – including industry, government, conservation and recreation – to make informed decisions about how to use marine resources sustainably. It is a 'deep' consultation process that assists in better understanding cumulative effects, minimising conflicts and promotes better biosecurity. We are committed to ensure the MSP principles are proactively employed.

Protecting and rejuvenating our ocean farming areas ensures we are hand-raising our salmon in healthy marine environments, minimising our impact for sustainable farming and investing in restoration and environmental compensatory programs which benefit our business, the eco-system and the community.

## 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 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 from 1H17. 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**.

KPIs	1H18	1H17
LTIFR	0.4	0.5
MTIFR	13.0	14.0
TRIFR	13.4	14.5
Compliance Scorecard	97.1%	95.7%
Driving Safety Culture Scorecard	93.0%	91.3%

### 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

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

# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

Our risk management system is robust, and our overall risk appetite is conservative. We adopt an adaptive management framework that encompasses monitoring requirements and management practices aligned with a precautionary approach to salmon farming. Tassal's risk mitigation strategies counter factors external to management's control including:

- Disease – potential of emerging viral diseases
- Seals – with the seal population ever increasing
- Marine – access and approval of new sites
- Environmental – predicting environmental conditions and adapting to environmental challenges
- Social / Community Value – the concept of shared value as Tassal seeks to use public waterways.

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. We are fortunate in Tasmania to have access to the leading independent institutions like the Commonwealth Scientific and Industrial Research Organisation (**CSIRO**) and Institute for Marine and Antarctic Studies (**IMAS**) (Tasmania).

Nothing less than ASC certification, embracing world's best practice, can be claimed as the most credible endorsement of sustainability for farmed salmon. ASC provides consumers and the public full traceability and transparency. It is difficult to be awarded ASC certification and then to maintain it, and Tassal has been able to do both across all our harvest operations. 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.

Risk mitigation, particularly around operational risk in the marine environment is a continuous focus at Tassal. The key and associated mitigation strategies Tassal has put in place include:

- **Climate change and a deep understanding of its impact on the health of fish and the environment** – Quality science is critical to how Tassal can adapt its fish stock and farming practices to address climate change and its potential impacts. Science can be used 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, cooler offshore sites.
- **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 fish more resilient to higher water temperatures. Summer and autumn water temperatures remain a challenge.
- **Amoebic Gill Disease (AGD) remains a significant issue** – the introduction of the harvest strategy for the South East, together with fish grown in Macquarie Harbour (where there is no AGD) and with all fish now from the SBP have greatly assisted in mitigating this risk.
- **Seals remain a significant challenge** – seals are attracted to salmon farms. The risk of seal interactions has increased, particularly as seal relocations ceased on 25 December 2017. Tassal monitors seals and seal interactions extremely closely, and Tassal's new ocean sanctuary pens provide the best risk mitigation for seals given they have achieved zero seal breaches to date. These pens are now being rolled out across all Tassal's farms.
- **Community activism is an increasing risk** – this is not unique to aquaculture and is part of doing business in many industries. A proactive engagement strategy is being executed adopting the best practice MSP approach.
- **Ability to grow to forecasts based on current technologies, methodologies, and production sites (including new prospects)** – is becoming more difficult. The industry is starting to test the 'natural capacity' and growth limits for fish farming in current lease areas using today's technologies and methodologies. Adaptive management and innovation have always been at the core of Tassal's business and growth, and we believe we need to continue to learn, adapt and innovate as we move forward.

## Positive outlook – Right to Grow

Tassal's Right to Grow strategic priorities are:

- **Increasing salmon biomass volume** - Positioning 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.
- **Improving salmon performance** - Enhancing salmon growing performance on the back of Tassal's SBP to reduce operating costs and improve returns.

# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

- **Maximising domestic salmon per capita consumption growth** – Ensuring we continue to lead the market with innovative marketing, products and packaging to grow the domestic salmon market as the primary market for our salmon.
- **Efficient supply chain** - Continuing to improve traceability and freshness of products given consumer trends, together with reducing the cost and complexities of the seafood supply chain.
- **Positioning for the next wave of salmon growth** - 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.
- **Positioning for opportunities in the wider seafood industry** – with the successful acquisition of De Costi Seafoods and the focus of that business on Australian Eastern Seaboard seafood distribution, it is important we continue to consider species diversification. Such diversification would need to support the supply chain advantage via De Costi Seafoods and our national logistics.

The key initiatives for 2H18 to underpin Tassal's continued growth trajectory are:

- **Leveraging the favourable domestic salmon market dynamics** – supported by strong growth, optimal sales mix and wholesale market returns.
- **Investing in biomass** - to drive future earnings growth
  - Optimises sales channel mix (and revenue) between domestic and export markets (bigger fish size)
  - Delivers scale and operational cost efficiencies – feed is circa 45%-55% of the cost of a fish with the balance of costs across the supply chain being predominantly fixed.
- **Ensuring operating earnings grow at similar levels to revenue** - leveraging favourable domestic salmon market dynamics, with benefits flowing from efficiency initiatives through a more optimal salmon biomass and fish size.
- **Export market exposure to reduce** – sales to the export market will be considerably less in 2H18 with strong domestic market dynamics and additional sales agreed with Petuna. Overall, sales to export for FY18 are forecast to comprise around 20% of total salmon sales volume, with a focus to move this to 10-15% of overall sales volume longer term.
- **Responsible cash spend** - for both capital and working capital purposes (i.e. investment in biomass) to ensure we maintain a strong balance sheet, which will in turn provide added flexibility for the next investment cycle and to lower Tassal's risk profile.
- **De Costi Seafoods to continue to drive salmon and seafood sales and category growth** – maintain focus on highly innovative product and packaging formats, together with higher margin products.

## 4. SUBSEQUENT EVENTS

Other than as outlined in note 2 in the notes to the condensed consolidated financial statements, there has not arisen in the interval between the end of the half-year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of Tassal, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial periods.

## 5. BUSINESS DEVELOPMENT

The Company has and continues to examine a number of business development opportunities to grow the business organically.

## 6. INDEPENDENCE DECLARATION BY AUDITOR

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is set out on page 11 and forms part of this Directors' Report for the half-year ended 31 December 2017.

# DIRECTORS' REPORT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

## 7. ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year financial 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 306 (3) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in dark ink, appearing to read 'A. McCallum', followed by a period.

A. McCallum  
Chairman  
Hobart, 23 February 2018

# AUDITOR'S INDEPENDENCE DECLARATION

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017



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The Board of Directors  
Tassal Group Limited  
1 Franklin Wharf  
Hobart TAS 7000

23 February 2018

Dear Board Members

## **Tassal Group Limited**

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

As lead audit partner for the review of the financial statements of Tassal Group Limited for the half year ended 31 December 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 review;  
and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

A handwritten signature in dark ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in dark ink that reads "Clive Mottershead".

Clive Mottershead  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited

# CONDENSED CONSOLIDATED INCOME STATEMENT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

	Note	Half-Year Ended 31 Dec 2017	Half-Year Ended 31 Dec 2016
		\$'000	\$'000
Revenue	3 (a)	267,637	216,746
Other income	3 (b)	3,732	2,650
Fair value adjustment of biological assets		(7,260)	10,518
Fair value adjustment of biological assets at point of harvest		10,784	(131)
Share of profits / (losses) of associates and jointly controlled entities accounted for using the equity method		(44)	(9)
Changes in inventories of finished goods and work in progress		16,572	(8,106)
Raw materials and consumables used		(173,245)	(116,154)
Employee benefits expense		(49,374)	(43,133)
Depreciation and amortisation expense	3 (c)	(12,564)	(9,890)
Finance costs	3 (c)	(3,751)	(4,130)
Other expenses		(12,067)	(8,913)
<b>Profit before income tax expense</b>		<b>40,420</b>	<b>39,448</b>
Income tax expense		(12,008)	(11,715)
<b>Profit for the period</b>		<b>28,412</b>	<b>27,733</b>

  

	Half-Year Ended 31 Dec 2017	Half-Year Ended 31 Dec 2016
Earnings per ordinary share (EPS)		
Basic (cents per share)	16.52	18.58
Diluted (cents per share)	16.46	18.51

Notes to the condensed financial statements are included on pages 17 to 24.



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

Note	Half-Year Ended 31 Dec 2017 \$'000	Half-Year Ended 31 Dec 2016 \$'000
Profit for the period	28,412	27,733
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Gain/(loss) on revaluation of property	-	-
Income tax relating to items that will not be reclassified subsequently	-	-
<b>Items that may be reclassified subsequently to profit or loss :</b>		
Gain/(loss) on cashflow hedges	156	668
Income tax relating to items that may be reclassified subsequently	(47)	(200)
Other comprehensive income for the period (net of tax)	109	468
<b>Total comprehensive income for the period attributed to owners of the parent</b>	<b>28,521</b>	<b>28,201</b>

Notes to the condensed financial statements are included on pages 17 to 24.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

	Note	As at 31 Dec 2017 \$'000	As at 30 June 2017 \$'000	As at 31 Dec 2016 \$'000
<b>Current Assets</b>				
Cash and cash equivalents		33,811	30,561	12,742
Trade and other receivables		17,325	22,120	35,783
Inventories		84,551	57,194	46,928
Biological assets		308,469	312,405	287,478
Current tax assets		1,914	-	-
Other financial assets		997	868	3,556
Other		7,231	6,559	5,825
<b>Total Current Assets</b>		<b>454,298</b>	<b>429,707</b>	<b>392,312</b>
<b>Non-Current Assets</b>				
Investments accounted for using the equity method		8,505	8,549	8,583
Other financial assets		3,033	2,627	44
Property, plant and equipment		333,047	310,355	298,852
Goodwill		82,306	82,306	82,306
Other intangible assets		24,184	24,184	24,184
Other		4,194	5,021	4,172
<b>Total Non-Current Assets</b>		<b>455,269</b>	<b>433,042</b>	<b>418,141</b>
<b>Total Assets</b>		<b>909,567</b>	<b>862,749</b>	<b>810,453</b>
<b>Current Liabilities</b>				
Trade and other payables		93,054	78,670	79,928
Borrowings		38,273	29,998	32,222
Current tax liabilities		-	4,415	6,925
Contingent consideration	4	7,275	7,980	5,491
Provisions		8,984	9,788	7,934
Other financial liabilities		314	470	370
<b>Total Current Liabilities</b>		<b>147,900</b>	<b>131,321</b>	<b>132,870</b>
<b>Non-Current Liabilities</b>				
Borrowings		69,189	67,388	130,303
Deferred tax liabilities		124,253	117,364	109,381
Contingent consideration	4	-	6,984	2,746
Provisions		1,866	1,798	1,753
<b>Total Non-Current Liabilities</b>		<b>195,308</b>	<b>193,534</b>	<b>244,183</b>
<b>Total Liabilities</b>		<b>343,208</b>	<b>324,855</b>	<b>377,053</b>
<b>Net Assets</b>		<b>566,359</b>	<b>537,894</b>	<b>433,400</b>
<b>Equity</b>				
Issued capital	6	266,775	253,905	167,120
Reserves		13,943	13,864	13,915
Retained Earnings		285,641	270,125	252,365
<b>Total Equity</b>		<b>566,359</b>	<b>537,894</b>	<b>433,400</b>

Notes to the condensed financial statements are included on pages 17 to 24.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

	Ordinary shares	Asset revaluation reserve	Hedging reserve	Equity- settled employee benefits reserve	Retained earnings	Total attributable to equity holders of the parent
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2016</b>	<b>154,983</b>	<b>12,700</b>	<b>(727)</b>	<b>1,540</b>	<b>235,840</b>	<b>404,336</b>
Profit for the period	-	-	-	-	27,733	27,733
Gain/(loss) on cashflow hedge (net of any related tax)	-	-	468	-	-	468
Gain/(loss) on revaluation of property (net of any related tax)	-	-	-	-	-	-
Total comprehensive income for the period	-	-	468	-	27,733	28,201
Payment of dividends	-	-	-	-	(11,208)	(11,208)
Issue of shares pursuant to dividend reinvestment plan	3,213	-	-	-	-	3,213
Issue of shares pursuant to business acquisition earn-out arrangement	8,550	-	-	-	-	8,550
Issue of shares pursuant to Executive Long Term Incentive Plan	374	-	-	(374)	-	-
Recognition of share- based payments	-	-	-	308	-	308
<b>Balance as at 31 December 2016</b>	<b>167,120</b>	<b>12,700</b>	<b>(259)</b>	<b>1,474</b>	<b>252,365</b>	<b>433,400</b>
<b>Balance as at 1 July 2017</b>	<b>253,905</b>	<b>12,700</b>	<b>(329)</b>	<b>1,493</b>	<b>270,125</b>	<b>537,894</b>
Profit for the period	-	-	-	-	28,412	28,412
Gain/(loss) on cashflow hedge (net of any related tax)	-	-	109	-	-	109
Gain/(loss) on revaluation of property (net of any related tax)	-	-	-	-	-	-
Total comprehensive income for the period	-	-	109	-	28,412	28,521
Payment of dividends	-	-	-	-	(12,896)	(12,896)
Issue of shares pursuant to dividend reinvestment plan	4,978	-	-	-	-	4,978
Issue of shares pursuant to business acquisition earn-out arrangement	7,689	-	-	-	-	7,689
Issue of shares pursuant to Executive Long Term Incentive Plan	203	-	-	(203)	-	-
Recognition of share- based payments	-	-	-	173	-	173
<b>Balance as at 31 December 2017</b>	<b>266,775</b>	<b>12,700</b>	<b>(220)</b>	<b>1,463</b>	<b>285,641</b>	<b>566,359</b>

Notes to the condensed financial statements are included on pages 17 to 24.

## CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

Note	Half-Year Ended 31 Dec 2017	Half-Year Ended 31 Dec 2016
	\$'000	\$'000
<b>Cashflows from Operating Activities</b>		
Receipts from customers	295,299	220,994
Payments to suppliers and employees	(240,384)	(187,316)
Interest received	56	52
Interest and other costs of finance paid	(3,398)	(5,983)
Income taxes paid	(11,001)	(3,723)
<b>Net cash (used in) / provided by operating activities</b>	<b>40,572</b>	<b>24,024</b>
<b>Cashflows from Investing Activities</b>		
Payment for property, plant and equipment	(39,479)	(30,442)
Proceeds from sale of property, plant and equipment	-	-
<b>Net cash (used in) investing activities</b>	<b>(39,479)</b>	<b>(30,442)</b>
<b>Cashflows from Financing Activities</b>		
Proceeds from borrowings	18,977	21,047
Repayment of borrowings	(8,902)	(6,413)
Dividends paid to members of the parent entity	(7,918)	(7,995)
<b>Net cash (used in) / provided by financing activities</b>	<b>2,157</b>	<b>6,639</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>3,250</b>	<b>221</b>
Cash and cash equivalents at the beginning of the Half-Year	30,561	12,521
<b>Cash and cash equivalents at the end of the Half-Year</b>	<b>33,811</b>	<b>12,742</b>

Notes to the condensed financial statements are included on pages 17 to 24.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

## 1. Summary of accounting policies

### a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include all the notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the financial year ended 30 June 2017, together with any public announcements made by Tassal Group Limited and its controlled entities during the half-year ended 31 December 2017, in accordance with the continuous disclosure requirement of the Listing Rules of the Australian Securities Exchange.

The half-year financial report was authorised for issue by the Directors on 23 February 2018.

### b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except if relevant, for the revaluation of certain non-current assets, biological assets and financial instruments. 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.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

### c) Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2017, other than as detailed below. Where appropriate figures for the comparative period have been restated to make them comparable with the disclosures adopted for the half-year ended 31 December 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### d) Adoption of new and revised Accounting Standards

#### (i) Amendments to AASBs and new interpretations that are mandatorily effective for the current reporting period

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 the current half-year.

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

- AASB 2016-1 'Recognition of Deferred Tax Assets for Unrealised Losses'
- AASB 2016-2 'Disclosure Initiative: Amendments to AASB 107'
- AASB 2017-2 'Further Annual Improvements 2014-2016 Cycle'

The adoption of amending Standards does not have any 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 half-year report, 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
AASB 9 <i>Financial Instruments</i> , and the relevant amending standards	1 January 2018

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

Standard/Interpretation	Effective for annual reporting periods beginning on or after
AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018
AASB 16 Leases	1 January 2019
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018
AASB 2017-7 Long-term Interests in Associates and Joint Ventures (Amendments to AASB 128)	1 January 2019

The directors of the Company do not anticipate that the application of the above standards, interpretations and amendments will have a material effect on the Group's consolidated financial statements, with the exception of AASB 16 'Leases'.

## *AASB 16 'Leases'*

AASB 16 Leases will replace existing accounting requirements for leases under AASB 117 Leases. Under current requirements, leases are classified based on their nature as either finance leases, which are recognised on the Consolidated Statement of Financial position, or operating leases, which are not recognised on the Consolidated Statement of Financial Position. The Group's accounting for operating leases as a lessee will result in the recognition of a right-of-use (ROU) asset and an associated liability on the Consolidated Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term leases. An interest expense will be recognised on the lease liabilities, and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard. The Group's accounting for leases as a lessor will remain unchanged under AASB 16.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The Group will apply AASB 16 in the financial year beginning 1 July 2019. A project has been established to ensure a high quality implementation in the compliance with the accounting standard. The project involves members of the finance team and is overseen by the Chief Financial Officer. Key responsibilities for the project involve finalising the impact assessment, gathering the detailed data required, and identifying and implementing an appropriate lease accounting solution.

At 30 June 2017 the group had non-cancellable undiscounted operating lease commitments of \$85.36 million. These commitments will require recognition of ROU assets and associated lease liabilities. The Group is currently assessing the impact of the new requirements on the Group's Consolidated Financial Statements; however the impact is expected to materially 'gross up' the Group's Consolidated Statement of Financial Position, impacting key financial ratios. As the project develops further, quantitative and qualitative disclosure will be provided.

## 2. Subsequent events

### Interim dividend declared

On 23 February 2018 the Directors declared an interim dividend of \$13.862 million (8.00 cents per ordinary share) in respect of the half-year ended 31 December 2017. The interim dividend will be 100% franked. The interim dividend has not been recognised in this half-year report because the interim dividend was declared subsequent to 31 December 2017. The record date for determining entitlements to this interim dividend is 15 March 2018. The interim dividend will be paid on 29 March 2018. The Company's Dividend Reinvestment Plan will apply to the interim dividend and a discount rate of 2% has been determined by the Directors.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

	Note	Half-Year Ended 31 Dec 2017	Half-Year Ended 31 Dec 2016
		\$'000	\$'000
<b>3. Profit from operations</b>			
<b>Profit from operations before income tax expense includes the following items of revenue and expense:</b>			
<b>(a) Revenue</b>			
Revenue from the sale of goods:			
- Domestic wholesale market		94,378	81,568
- Domestic retail market		116,872	117,051
- Export market		56,331	18,075
Interest revenue		56	52
<b>Total revenue</b>		<b>267,637</b>	<b>216,746</b>
<b>(b) Other Income</b>			
Gain/(loss) on disposal of property, plant and equipment		3	20
Government grants received		1,922	1,059
Other		1,807	1,571
<b>Total other income</b>		<b>3,732</b>	<b>2,650</b>
<b>(c) Expenses</b>			
Depreciation of non-current assets		12,549	9,875
Amortisation of non-current assets		15	15
<b>Total depreciation and amortisation</b>		<b>12,564</b>	<b>9,890</b>
Interest – other entities		2,681	3,237
Finance lease charges		1,070	893
<b>Total finance costs</b>		<b>3,751</b>	<b>4,130</b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

	As at 31 December 2017 \$'000	As at 30 June 2017 \$'000
<b>4. Contingent consideration</b>		
Current	7,275	7,980
Non-current	-	6,984
	<b>7,275</b>	<b>14,964</b>

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.

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

As at 31 December 2017, the estimated fair value of the remaining contingent consideration is \$7.275 million, which is consistent with management's estimate of the probability of the balance of the earn-out vesting in year 3 of the earn-out period.



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

	Half-Year Ended 31 December 2017		Financial Year Ended 30 June 2017		Half-Year Ended 31 December 2016	
	Cents per share	Total \$'000	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>5. Dividends</b>						
<b>(a) Recognised amounts</b>						
<b>Fully paid ordinary shares:</b>						
Interim dividend paid in respect of current financial year	-	-	7.50	12,590	-	-
Final dividend paid in respect of prior financial year	7.50	12,896	7.50	11,208	7.50	11,208
	<b>7.50</b>	<b>12,896</b>	<b>15.00</b>	<b>23,798</b>	<b>7.50</b>	<b>11,208</b>

On 23 August 2017, the Directors declared a final dividend of \$12.896 million (7.50 cents per ordinary share) in respect of the financial year ended 30 June 2017. The dividend was 100% franked and paid on 29 September 2017.

## (b) Unrecognised amounts

### Fully paid ordinary shares:

Interim dividend in respect of current financial year	8.00	13,862	-	-	7.50	12,590
Final dividend in respect of current financial year	-	-	7.50	12,896	-	-
	<b>8.00</b>	<b>13,862</b>	<b>7.50</b>	<b>12,896</b>	<b>7.50</b>	<b>12,590</b>

On 23 February 2018, the Directors declared an interim dividend of \$13.862 million (8.00 cents per ordinary share) in respect of the half-year ended 31 December 2017. The interim dividend will be 100% franked. The record date for determining entitlements to this dividend is 15 March 2018. The interim dividend will be paid on 29 March 2018.

The Company's Dividend Reinvestment Plan will apply to the interim dividend and a discount rate of 2% has been determined by the Directors.

The interim dividend in respect of ordinary shares for the half-year ended 31 December 2017 has not been recognised in this Half-Year report because the interim dividend was declared subsequent to 31 December 2017.

No portion of the interim dividend declared for the half-year ended 31 December 2017 constitutes Conduit Foreign Income.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

## 6. Issued capital

		As at 31 December 2017		As at 31 December 2016	
	Note	Number	\$'000	Number	\$'000
<b>(a) Ordinary share capital (fully paid)</b>					
Ordinary shares		<b>173,275,247</b>	<b>266,775</b>	<b>150,281,739</b>	<b>167,120</b>
<b>(b) Movements in ordinary share capital</b>					
Balance as at the beginning of the half-year		169,889,399	253,905	147,203,532	154,983
Issue of shares pursuant to Executive Long Term Incentive Plan	(i)	58,395	203	139,534	374
Issue of shares pursuant to business acquisition earn-out arrangement	(ii)	2,000,000	7,689	2,100,000	8,550
Issue of shares pursuant to dividend reinvestment plan	(iii)	1,327,453	4,978	838,673	3,213
<b>Balance as at the end of the half-year</b>		<b>173,275,247</b>	<b>266,775</b>	<b>150,281,739</b>	<b>167,120</b>

### Current Financial Year

- (i) On 28 August 2017, 58,395 ordinary shares were issued pursuant to the Company's Long Term Incentive Plan at an issue price of \$3.4705 per share. There was no exercise price paid on this conversion.
- (ii) On 28 August 2017, 2,000,000 ordinary shares were issued to Rasin Holdings pursuant to the De Costi Seafoods business acquisition earn-out arrangement at an issue price of \$3.8445 per share.
- (iii) On 29 September 2017, 1,327,453 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of \$3.7500 per share. A discount of 2% was applicable.

### Previous Financial Year

- (i) On 23 August 2016, 139,534 ordinary shares were issued pursuant to the Company's Long Term Incentive Plan at an issue price of \$2.6810 per share. There was no exercise price paid on this conversion.
- (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 29 September 2016, 838,673 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of \$3.8314 per share. A discount of 2% was applicable.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

### 7. Contingent liabilities and contingent assets

There are no material contingent liabilities or contingent assets at the date of this half-year report.

### 8. Seasonality

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

### 9. 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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

<b>31 December 2017</b>	<b>Domestic Segment \$'000</b>	<b>Export Segment \$'000</b>	<b>Consolidated \$'000</b>
Sales (1)	211,250	56,331	267,581
Segment operational EBITDA	45,631	7,580	53,211
Fair value adjustment of biological assets	-	-	3,524
Statutory EBITDA	-	-	56,735
Depreciation expense	-	-	(12,564)
Finance costs	-	-	(3,751)
Profit before income tax expense	-	-	40,420
Income tax expense	-	-	(12,008)
Profit for the period	-	-	28,412
<b>(1) Sales Information</b>	<b>Salmon \$'000</b>	<b>Seafood \$'000</b>	<b>Total \$'000</b>
Domestic wholesale	80,041	14,337	94,378
Domestic retail	89,780	27,092	116,872
Export	55,306	1,025	56,331
<b>Total sales</b>	<b>225,127</b>	<b>42,454</b>	<b>267,581</b>

<b>31 December 2016</b>	<b>Domestic Segment \$'000</b>	<b>Export Segment \$'000</b>	<b>Consolidated \$'000</b>
Sales (1)	198,619	18,075	216,694
Segment operational EBITDA	38,916	4,165	43,081
Fair value adjustment of biological assets	-	-	10,387
Statutory EBITDA	-	-	53,468
Depreciation expense	-	-	(9,890)
Finance costs	-	-	(4,130)
Profit before income tax expense	-	-	39,448
Income tax expense	-	-	(11,715)
Profit for the period	-	-	27,733
<b>(1) Sales Information</b>	<b>Salmon \$'000</b>	<b>Seafood \$'000</b>	<b>Total \$'000</b>
Domestic wholesale	68,518	13,050	81,568
Domestic retail	90,546	26,505	117,051
Export	16,531	1,544	18,075
<b>Total sales</b>	<b>175,595</b>	<b>41,099</b>	<b>216,694</b>

## DIRECTORS' DECLARATION

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

The Directors declare on 23 February 2018 that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to Section 303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'A. McCallum', followed by a small horizontal line.

A. McCallum  
Chairman  
Hobart, 23 February 2018

# INDEPENDENT REVIEW REPORT

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2017



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## Independent Auditor's Review Report to the Members of Tassal Group Limited

We have reviewed the accompanying half-year financial report of Tassal Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Tassal Group Limited and the entities it controlled at the end of the half-year or from time to time during the half-year.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of Tassal Group Limited are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tassal Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tassal Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tassal Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

## INDEPENDENT REVIEW REPORT

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2017

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Clive Mottershead  
Partner  
Chartered Accountants  
Hobart, 23 February 2018

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited.