Tassal Group Limited
ABN 15 106 067 270
Tassal Operations Pty Ltd
ABN 38 106 324 127
De Costi Seafoods
ABN 81 606 307 804
GPO Box 1645
Hobart, TAS 7001
tassal@tassal.com.au
www.tassalgroup.com.au

14 February 2019

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 2018

We attach the following:

1. Results Announcement for the Half-Year Ended 31 December 2018.

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 2018.

Please release this information to the market.

Yours faithfully

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 2018
(previous corresponding period: Half-Year ended 31 December 2017)

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. McCallum
Chairman
Tassal Group Limited
Hobart, 14 February 2019

TASSAL GROUP LIMITED

ABN 15 106 067 270

APPENDIX 4D
HALF-YEAR REPORT
for the Half-Year ended 31 December 2018
(previous corresponding period: Half-Year ended 31 December 2017)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-Year ended 31 December 2018 $'000	Half-Year ended 31 December 2017 $'000	Period Movement up / (down) $'000	Period Movement up / (down) %
Revenue (from all sources)	325,995	261,180	64,815	24.82
EBITDA	65,871	56,735	9,136	16.10
EBIT	51,430	44,171	7,259	16.43
Profit before income tax expense attributable to members	46,915	40,420	6,495	16.07
Income tax expense	(14,076)	(12,008)	2,068	17.22
Net profit after income tax expense attributable to members	32,839	28,412	4,427	15.58
Basic EPS – cents per share	18.63cps	16.52cps		

Dividends (Ordinary Shares)	**Amount per security**	**Franked amount per security**
Final dividend: - Previous financial year – payment date 28 September 2018	8.00c	8.00c
Interim dividend: - Current reporting period * - payment date 29 March 2019 - Previous corresponding period – payment date 29 March 2018	9.00c 8.00c	2.25c 8.00c

*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 2018	
Record date for determining entitlements to the Interim Dividend	15 March 2019
Date of payment of Interim Dividend	29 March 2019

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 2019 results media release.

TASSAL GROUP LIMITED

ABN 15 106 067 270

APPENDIX 4D
HALF-YEAR REPORT
for the Half-Year ended 31 December 2018
(previous corresponding period: Half-Year ended 31 December 2017)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reported Earnings Per Ordinary Fully Paid Share (EPS)	Current Period	Previous Corresponding Period
Basic EPS – cents per share	18.63	16.52
Diluted EPS – cents per share	18.56	16.46

NTA Backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	$2.84	$2.65

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 2018	AASB 141 Impact $'000
Revenue (from all sources)	$0
EBITDA	$3,315
EBIT	$3,315
Profit before income tax expense	$3,315
Income tax expense	$(995)
Net profit after income tax expense	$2,320

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

Monika Maedler
Company Secretary
Tassal Group Limited
14 February 2019

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 2018

(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 2018 together with any public announcements made by Tassal Group Limited and its controlled entities during the half-year ended 31 December 2018 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange).

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DIRECTORS' REPORT

The Directors of Tassal Group Limited ("Tassal" or "the Company") submit the financial report for the half-year ended 31 December 2018 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 John Watson
Mr Michael Carroll (resigned 24 August 2018)
Ms Georgina Lynch (appointed 27 November 2018)
Ms Jackie McArthur (appointed 27 November 2018)

2. PRINCIPAL ACTIVITIES

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

3. REVIEW OF OPERATIONS

Tassal's Directors are pleased to present the Company's Appendix 4D: Half Year Report to 31 December 2018 (**1H19**).

The 1H19 results clearly demonstrate that Tassal is successfully delivering on its core salmon growth strategy – generating material increases for salmon across operational, financial, environmental and social parameters. At the same time, a new growth runway with prawns is being unleashed that builds on Tassal's successes with salmon.

The anticipated favourable market dynamics for 1H19 (domestic and export markets) materialised, with significant increases in salmon biomass growth and sales, combined with positive pricing outcomes, underpinning a strong increase in operating earnings and profits. Positive pricing outcomes offset increased salmon cost of goods sold. A more gradual growth and sales curve for salmon is expected over the short term (i.e. 2H19 and FY20).

Meanwhile, the strategically compelling and highly earnings accretive acquisition of the Fortune Group, Australia's largest prawn farming footprint, is being successfully integrated into the Tassal Group. It is expected to deliver material earnings in the short to medium term. With a strong balance sheet and growing cashflows, Tassal is well positioned to manage this next wave of growth.

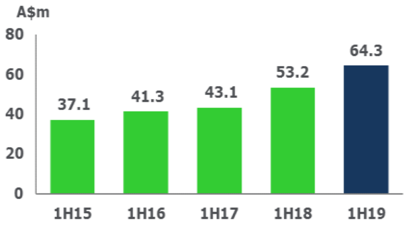
The Directors are mindful of Tassal's social licence to operate, and responsibly balance the Company's initiatives and outcomes against scorecard objectives covering people, planet, product and performance. In line with the United Nations' Sustainable Development Goals, and supported by world-class partnerships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

Tassal's ongoing investment in species diversification (prawns and other seafood) and geographic diversification (salmon and prawns) underpins growing returns. Overall, Tassal has a well-balanced program in place to grow returns through pricing, improvements and adaption of new technology and species diversification.

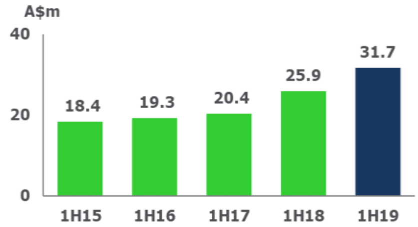
Operational & Financial Highlights

- **Tassal's 1H19 financial performance reflects the strong operational platform in place that will drive continued growth – for our customers, suppliers, staff, communities and shareholders**

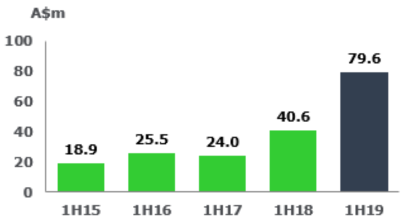
Operating EBITDA: **$64.3m (up 20.8%)**



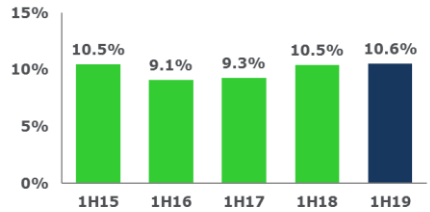
Operating NPAT: **$31.7m (up 22.3%)**



Operating Cashflow: **$79.6m (up 96.3%)**

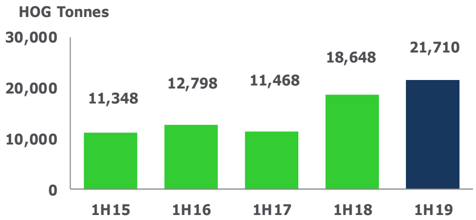


Operating ROA: **10.6% (does not include Prawn earnings)**

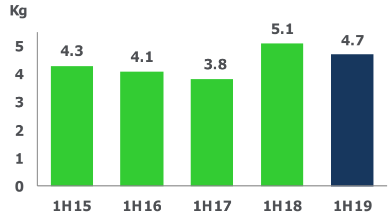


- **Tassal significantly grew its salmon biomass and sales**

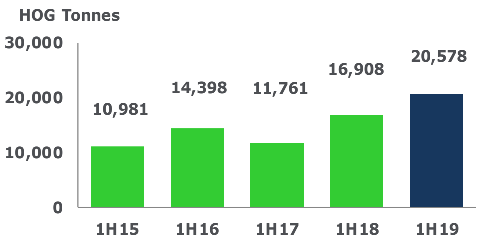
Increased Harvest Tonnage:
21,710 hog tonnes (up 16.4%)



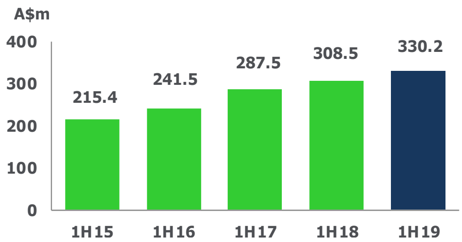
Optimised Salmon Size for Sales Mix:
4.7kg hog



Increased Sales Tonnage:
20,578 hog tonnes (up 21.7%)



Increased Live Salmon Value:
$330.2m (up 7.0%)



Salmon sales, pricing and optimising sales mix, offset increased salmon cost of goods sold (from $9.77kg hog in 1H18 to $10.89kg hog in 1H19). Management continues to further optimise the overall margin returns delivered from salmon

Total Salmon Sales (A$m)	1H19	1H18	Change
Salmon Revenue	285	215	32.8% ▲
Salmon Hog Tonnes	20,578	16,908	21.7% ▲
Salmon Average Price ($/Hog kg)	**$ 13.87**	**$ 12.71**	**9.1%** ▲
Salmon EBITDA	61,279	49,720	23.2% ▲
EBITDA $/Hog Kg	**$ 2.98**	**$ 2.94**	**1.3%** ▲

- **Domestic market – continued strong growth in salmon per capita consumption and pricing**
  - Sales volume up 18.8% – retail up 36.5% and wholesale flat (wholesale fresh hog up 4.7%)
  - Sales price up 8.2% – retail up 8.5% and wholesale up 10.3%
  - Salmon revenue up 28.5% – retail up 48.2% and wholesale up 9.0%
- **Export market – demand outpacing supply, allowed Tassal to drive sales in 1H19**
  - Sales pricing improved (up 13.0%) reflecting stronger global pricing, optimal fish size and favourable exchange rates
  - Sales volume up 28.3%
  - Sales revenue up 45.0%
  - Not forecasting material sales for 2H19
- **Investing in the right initiatives to support sustainable long term growth**
  - Implemented **world-leading smart-farming systems** through Tassal's centralised feed centre
  - Environmentally responsible **eco-aquaculture program expanded** through Federal Government participation
  - Maintained the construction and delivery timeline for Tassal's **Well Boat scheduled for delivery in September 2019**
  - Actively explored building a **new salmon Multi-Purpose Recirculating Aquaculture System (RAS) Facility**
- **Acquisition of the strategically compelling and highly earnings accretive Fortune Group prawn aquaculture business** will underpin Tassal's next growth phase through geographic and species diversification

Our people

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

Tassal's focus and relentless pursuit is to achieve the core value of "Zero Harm". Tassal's goal from a TRIFR perspective is < 10.

The increase in TFIFR over 1H19 was unacceptable. From an external perspective, Tassal's safety achievements would be considered very good. However, until the Company delivers its core value of Zero Harm, Tassal will rank itself as operating at an **unacceptable level.**

The root causes for the increase in TRIFR over 1H19 are well understood by the Company and are being addressed.

Moving forward, Tassal's training and focus is to instil a philosophy and culture of zero tolerance to medical treatment incidents. The safety leadership training will ensure appropriate on-the-job safety training and instil a strong culture of identification, reporting and zero tolerance to incidents.

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

KPIs	1H19	1H18
LTIFR	0.4	0.4
MTIFR	14.6	13.0
TRIFR	15.0	13.4
Scorecard	96.6%	97.1%
Driving the Safety culture scorecard	95.5%	93.0%

1. Definitions:

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

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

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

Financial results

Statutory, Underlying and Operational Financial Performance

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

The key financial results for 1H19 were:

Half Year ended 31 December 2018	Statutory Profit $'000	Non Recurring Items $'000	Underlying Profit $'000	AASB 141 Impact $'000	Operational Profit $'000
Revenue (from all sources)	$325,995	$0	$325,995	$0	$325,995
EBITDA	$65,871	$1,719	$67,590	($3,315)	$64,275
EBIT	$51,430	$1,719	$53,149	($3,315)	$49,834
Profit before income tax expense	$46,915	$1,719	$48,634	($3,315)	$45,319
Income tax expense	($14,076)	($516)	($14,592)	$995	($13,597)
Net profit after income tax expense	**$32,839**	**$1,203**	**$34,042**	**($2,321)**	**$31,722**

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)	$261,180	$0	$261,180	$0	$261,180
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)
Net profit after income tax expense	**$28,412**	**$0**	**$28,412**	**($2,467)**	**$25,945**

Statutory results

Biological assets (being salmon at sea and prawns in ponds) are valued under Accounting Standard AASB 141 'Agriculture' (SGARA). The biological assets are accounted for at the fair value of the salmon and prawns at an estimated harvest tonnage and at an estimated future net market value. The reported value of the biological assets at 1H19 is compared to 1H18, with any difference in value is then applied to the income statement as an increment (SGARA uplift) or decrement (SGARA reduction).

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

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

The key 1H19 statutory financial results were:

- **EBITDA** up 16.1% to $65.9 million (1H18: $56.7 million)
- **EBIT** up 16.4% to $51.4 million (1H18: $44.2 million)
- **NPAT** up 15.6% to $32.8 million (1H18: $28.4 million).

Underlying results

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

Over 1H19 Tassal successfully executed its operational initiatives to underpin strong underlying financial results – the best ever first half result Tassal has achieved. These results have also provided Tassal with a solid platform to drive continued growth, for customers, suppliers, staff, communities and shareholders.

On 14 September 2018, Tassal acquired the Fortune Group prawn aquaculture business for $31.9 million plus $1.7 million of incidental costs (non-recurring items).

Operational results

Reflecting the underlying performance of the business and excluding the impact of SGARA, the key 1H19 operational results (vs 1H18) were:

- **Revenue** up 24.8% to $326.0 million (1H18: $261.2 million)
- **EBITDA** up 20.8% to $64.3 million (1H18: $53.2 million)
- **EBIT** up 22.6% to $49.8 million (1H18: $40.6 million)
- **NPAT** up 22.3% to $31.7 million (1H18: $25.9 million)

Operating cashflow

Operating Cashflow (A$m)	1H19	1H18
Operating cashflow	79.65	40.57
Investing cashflow	(82.47)	(39.48)
Financing cashflow	20.63	2.16
Net increase/(decrease) in cash held	**17.81**	**3.25**

Operating cashflow was up 96.3% to $79.6 million, reflecting the strength of Tassal's underlying business and operational strategy. The continued strength in operating cashflow generation supports Tassal's strategic investment in key salmon biomass initiatives and infrastructure projects, such as the near fully operational Centralised Feed Centre, and the Well Boat to be delivered in September 2019. Both these initiatives should underpin sustainable growth in long term returns.

Tassal will also utilise its growing cashflows to continue its responsible capital spend underpinning sustainable growth in long term returns. While a more gradual growth curve is anticipated for salmon over the short term (i.e. 2H19 and FY20), we are now successfully integrating the strategically compelling and highly earnings accretive Fortune Group prawn business acquisition. Material earnings from the prawn operations acquired will commence in the short to medium term.

Investing cashflow of $82.5 million included the acquisition costs for the Fortune Group of $33.7 million, with the balance of the spend of $48.8 million comparing to $39.6 million in 1H18.

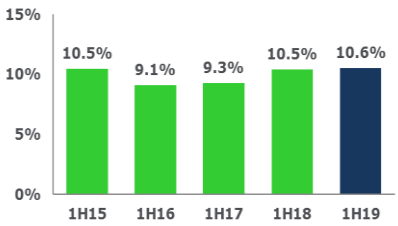
Financial returns

Tassal's 1H19 performance reflects a thriving and sustainable seafood business supported by a strong team, environmentally sound farming practices and attractive market conditions. Tassal's focus on sustainable salmon growth, the De Costi Seafoods distribution operation, and now its diversification into high returns prawns, has the Company in the best position it has ever been in to deliver growing shareholder returns.

Tassal's ongoing initiatives in growing salmon biomass and infrastructure via responsible capital spend has enabled the Company to continue its strong revenue and operating earnings growth while improving its financial returns:

- Operational return on assets (ROA) was 10.6% (1H18: 10.5%) given the earnings from prawns are yet to materially flow through
- Earnings from the prawn operations acquired will commence in 2H19 and materially increase in the short to medium term, which will support accelerated growth in ROA
- Operational basic earnings per share was 18 cents (1H18: 15 cents).

Operational ROA for last 5 years has demonstrated solid financial returns:



Tassal has a strong balance sheet, which has been significantly de-risked, providing further flexibility for strategic growth investment. At 31 December 2018 Tassal had a gearing ratio of 19.8% net debt to equity (31 December 2017: 13.0%) and a funding ratio of 35.4% net debt + receivable purchase facility to equity (31 December 2017: 26.1%) with the increased gearing reflecting the acquisition of the prawns business.

Growing interim dividend

Reflecting the Company's strong balance sheet, growing operating cashflows and, growth outlook, the Directors of Tassal declared an interim dividend for FY19 of 9.0 cps franked at 25% (FY2018: 8.0 cps, 100% franked).

The reduction in franking credits available for distribution reflects Tassal's investment in research and development (R&D) projects that have resulted in previous tax payments being refunded, together with a lower tax payment regime being in place. Total spend on R&D activities over the 5 years to FY18 was $125.8 million. This spend was focused on mitigating climate change, supporting responsible growth of salmon biomass on existing leases and facilitating growth further offshore.

The Company's Dividend Reinvestment Plan (DRP) will apply to the FY19 interim 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 FY19 final dividend are 15 and 29 March 2019, respectively.

Business Performance

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

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

1. **Our people: People Safety & Culture**
   - Continuing to invest in our people
   - Driving towards Zero Harm for Everyone, Everywhere

2. **Our planet: Environment & Engagement**
   - Meeting all environmental legislative & regulatory requirements
   - Investing in programs delivering environmental and societal benefits and continuing to maintain world leading, independently audited, environmental certification
   - Ensuring highly engaged and aligned communities and stakeholders

3. **Our product: Food Quality & Marketing**
   - Delivering safe, high quality, products
   - Maintaining the most valued and recognised salmon and seafood brands
   - Tassal salmon winning a greater share of plate

4. **Our performance:** Delivering long term responsible and sustainable growth for shareholders

The strategic update for FY19 is as follows:

Our Salmon

- Optimise higher energy and larger sites for grow out, in line with biosecurity principles and Tasmanian Government sustainable salmon growth plan
- Increase production through lower FCR and improved diets
- Active investigation into Multi-Purpose RAS Facility to optimise both biomass flexibility and market freshness, while mitigating operational risk
- Once full approvals in place for West of Wedge Island (highest energy site to be farmed in the world) trial infrastructure and fish to ensure safety and robustness

- Continue identification, research and environmental monitoring of future sites aligned to Tasmanian Government Sustainable Salmon Growth Plan
- Balanced growth between operational improvements and access to new sites
- Continues with early community engagement and advocate for best practice marine spatial planning and efficient regulations
- In the short to medium term, Tassal supports a gradual growth curve for salmon biogain. In the long term, Tasmanian Government supporting a growth target of the Tasmanian Salmon Industry of $2 billion by 2030 – effectively, doubling the Tasmanian Salmon Industry

Our Prawns

- Increase supply from 450 tonnes per annum to ~3000 tonnes per annum within three years
- Existing farms have ~270ha of ponds licensed for production, with a further ~215ha of development opportunity (approval underway), mostly relative to Proserpine. Fully developed, output capability could exceed 6,800 tonnes from the prawn aquaculture business acquired from the Fortune Group.
- Tassal has an aspirational target of 20,000 tonnes of prawns per annum. To achieve this Tassal will optimise existing farms, continue to assess further acquisition opportunities and work with the Queensland Government on pursuing Greenfield locations via state-run spatial planning initiatives, which have identified 7,000 hectares of potential aquaculture activity

By 2025 Tassal is focused on achieving the following objectives, some of which are already being achieved:

- World class biosecurity and fish welfare practices for salmon and prawns
- World leader in reduction in marine debris with a target of < 10% of marine debris originating from Tassal salmon farms
- A focus for future salmon grow-out sites to be further offshore, higher energy farms
- Investing in further land-based facilities and continuing focus to produce Tasmania's largest smolt in our current land-based nurseries, minimising impact on marine environments and optimising biomass flexibility
- 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 salmon ocean sites feature 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 feed materials
- Adopting carbon-neutral innovations focused on renewable energy, recycling and reuse
- 100% regulatory compliance across all leases
- 100% ASC certification across all our harvest produce
- 100% fully traceable, responsibly sourced seafood
- Continued ASX recognition as an industry leader in sustainability reporting
- Continual ASX top quartile returns to shareholders.

Business fundamentals and risks

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

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

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

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

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

Tassal has developed considerable options for adaptation including selective breeding, modification of farming technologies and practices and geographic diversification of its marine farm portfolio. We also engage scientists to identify emerging climate trends and system responses, and to undertake comprehensive broad scale environmental monitoring.

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

- **Summer and Autumn water temperatures and the impact on the rate of salmon growth and survival** – Tassal has an advanced Selective Breeding Program (**SBP**) in place and is focused on growing fish more resilient to higher water temperatures. Summer and Autumn water temperatures remain a challenge.

- **Amoebic Gill Disease (AGD) remains a significant issue** – to ensure our fish remain healthy and active, Tassal bathes its fish in fresh water. This bathing process cleans the amoeba from the gills of the fish and allows the fish to intake oxygen and release carbon dioxide more efficiently and effectively. To bathe the fish, fish are transferred from salt water to fresh water. 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.

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

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

- **Seals remain a significant challenge** – seals are attracted to salmon farms. The risk of seal interactions has increased, particularly as seal relocations ceased on 25 December 2017. Tassal monitors seals and seal interactions extremely closely. Tassal's new ocean sanctuary pens provide the best risk mitigation for seals. 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, centred around shared value principles, has been implemented across operating communities and more broadly. This focuses on a range of partnerships and initiatives aligned to our Community Charter.

- **Ability to grow to salmon forecasts based on current technologies, methodologies, and production sites (including new prospects)** – is becoming more difficult. The industry is starting to test the 'natural capacity' and growth limits for fish farming in current lease areas using today's technologies and methodologies. Adaptive management and innovation have always been at the core of Tassal's business and growth – in fact it is a strong competitive advantage for Tassal. We believe we need to continue to learn, adapt and innovate as we move forward.

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

Positive outlook to underpin record FY19

Tassal expects to continued growth in revenues and operational earnings through FY19, underpinned by:

- a supply shortage (based on Tassal's analysis) for domestic market fulfilment that should lead to **strong pricing returns and improved domestic pricing to offset increased farming and production costs**. Agreements with retailers will underpin short to medium term pricing for salmon in the domestic market.

- **Continued growth in domestic and international demand.** Demand for seafood in Australia is forecast to outstrip seafood and aquaculture growth, and analysts are signalling strong demand growth from China and North and South America. Analysts forecast 6-10% world growth in supply would be required to maintain price parity, and with supply likely to be less than Tassal is positioned for higher international pricing outlooks.

- **Tassal's fish size supports improved domestic yields and pricing, and our export strategy** (i.e. large fish (at a price premium).
- A **more gradual growth and sales curve for Tassal's salmon operations** is expected over the short term. Due to the seasonality of salmon harvesting, all other things being equal, we would expect to see a higher skew of earnings towards 1H19 (vs. 2H19) as was experienced in FY18.
- However, **prawn earnings will commence in 2H19**.

Positive fundamentals for long term growth

- The Tasmanian Salmon Growers Association has **progressed improved biosecurity and environmental management outcomes** for the future, with core principles outlined in a Biosecurity Plan. We believe this will lead to improved husbandry and stable growth platforms.
- The Tasmanian Government has developed a **Sustainable Salmon Growth Plan**, providing planning guidance and identified growth regions as it supports the Tasmanian salmon industry to grow to approx. $2 billion industry by 2030.
- The Queensland Government has a stated objective for the State to be an aquaculture hub, with spatial planning exercises responsibly identifying circa 7,000 hectares of space for further opportunity for prawn growth.
- We are actively exploring the development of a Multi-Purpose RAS Facility, which will provide flexibility to deliver larger smolt, or more smolt, as our growth ambitions and lease optimisation requirements determine. Globally, land-based RAS facilities are producing smolt sizes of around 600g at good quality levels and with high survival rates.
- **From FY2020 our Well Boat will see us bathing fish cheaper** than we currently do from a labour and overhead perspective.
- **Centralised Feed Centre will maximise feeding and growth opportunities and minimise waste** – enabling the optimisation of leases and biomass.
- The diversification strategy into Australian farmed **prawns offers the potential to deliver higher margins** than salmon, **with a shorter working capital cycle**. The diversification presents a strong core margin growth platform, together with a risk mitigation path.

  The successful capital raising in 2H17 has delivered a **very strong balance sheet**, with increased ability to meet challenges of the future – both in terms of technology/expansionary capital and diversification capital.

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 14 and forms part of this Directors' Report for the half-year ended 31 December 2018.

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. D. McCallum
Chairman

M. A. Ryan
Managing Director & Chief Executive Officer

Hobart, this 14th day of February 2019

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

14 February 2019

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 2018, 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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Clive Mottershead

Clive Mottershead
Partner
Chartered Accountants

CONDENSED CONSOLIDATED INCOME STATEMENT

Tassal Group Limited and its Controlled Entities Financial Report for the Half-Year Ended 31 December 2018

	Note	Half-Year Ended 31 Dec 2018 $'000	Half-Year Ended 31 Dec 2017 $'000
Revenue	**3 (a)**	323,226	257,492
Other income	**3 (b)**	2,745	3,732
Fair value adjustment of biological assets		(3,197)	(7,260)
Fair value adjustment of biological assets at point of harvest		6,512	10,784
Share of profits / (losses) of associates and jointly controlled entities accounted for using the equity method		24	(44)
Changes in inventories of finished goods and work in progress		16,878	16,572
Raw materials and consumables used		(209,145)	(163,100)
Employee benefits expense		(56,417)	(49,374)
Depreciation and amortisation expense	**3 (c)**	(14,441)	(12,564)
Finance costs	**3 (c)**	(4,515)	(3,751)
Prawn farm business acquisition costs	**4**	(1,719)	-
Other expenses		(13,036)	(12,067)
Profit before income tax expense		**46,915**	**40,420**
Income tax expense		(14,076)	(12,008)
Profit for the period		**32,839**	**28,412**

	Half-Year Ended 31 Dec 2018	Half-Year Ended 31 Dec 2017
Earnings per ordinary share (EPS)		
Basic (cents per share)	18.63	16.52
Diluted (cents per share)	18.56	16.46

Notes to the condensed financial statements are included on pages 20 to 30.

	Note	Half-Year Ended 31 Dec 2018 $'000	Half-Year Ended 31 Dec 2017 $'000
Profit for the period		32,839	28,412
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain/(loss) on revaluation of property		-	-
Income tax relating to items that will not be reclassified subsequently		-	-
Items that may be reclassified subsequently to profit or loss :			
Gain/(loss) on cashflow hedges		8	156
Income tax relating to items that may be reclassified subsequently		(2)	(47)
Other comprehensive income for the period (net of tax)		6	109
Total comprehensive income for the period attributed to owners of the parent		**32,845**	**28,521**

Notes to the condensed financial statements are included on pages 20 to 30.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 Dec 2018	As at 30 June 2018	As at 31 Dec 2017
		$'000	**$'000**	**$'000**
Current Assets				
Cash and cash equivalents		41,631	23,821	33,811
Trade and other receivables		25,067	16,241	17,325
Inventories		89,486	66,096	84,551
Biological assets		330,205	356,484	308,469
Current tax assets		-	10,151	1,914
Other financial assets		936	884	997
Other		6,897	5,117	7,231
Total Current Assets		**494,222**	**478,794**	**454,298**
Non-Current Assets				
Investments accounted for using the equity method		8,526	8,502	8,505
Other financial assets		2,809	2,695	3,033
Property, plant and equipment		405,354	353,017	333,047
Goodwill		89,894	82,306	82,306
Other intangible assets		24,184	24,184	24,184
Other		4,371	4,915	4,194
Total Non-Current Assets		**535,138**	**475,619**	**455,269**
Total Assets		**1,029,360**	**954,413**	**909,567**
Current Liabilities				
Trade and other payables		99,762	82,516	93,054
Borrowings		29,363	34,307	38,273
Current tax liability		5,365	-	-
Contingent consideration	**5**	-	7,862	7,275
Provisions		9,938	10,949	8,984
Other financial liabilities		167	174	314
Total Current Liabilities		**144,595**	**135,808**	**147,900**
Non-Current Liabilities				
Borrowings		134,732	99,077	69,189
Deferred tax liabilities		130,855	131,619	124,253
Provisions		2,035	1,906	1,866
Total Non-Current Liabilities		**267,622**	**232,602**	**195,308**
Total Liabilities		**412,217**	**368,410**	**343,208**
Net Assets		**617,143**	**586,003**	**566,359**
Equity				
Issued capital	**7**	283,060	271,082	266,775
Reserves		14,689	14,261	13,943
Retained Earnings		319,394	300,660	285,641
Total Equity		**617,143**	**586,003**	**566,359**

Notes to the condensed financial statements are included on pages 20 to 30.

	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
Balance as at 1 July 2017	**253,905**	**12,700**	**(329)**	**1,493**	**270,125**	**537,894**
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
Balance as at 31 December 2017	**266,775**	**12,700**	**(220)**	**1,463**	**285,641**	**566,359**
Balance as at 1 July 2018	**271,082**	**12,700**	**(122)**	**1,683**	**300,660**	**586,003**
Profit for the period	-	-	-	-	32,839	32,839
Gain/(loss) on cashflow hedge (net of any related tax)	-	-	6	-	-	6
Gain/(loss) on revaluation of property (net of any related tax)	-	-	-	-	-	-
Total comprehensive income for the period	-	-	6	-	32,839	32,845
Payment of dividends	-	-	-	-	(14,105)	(14,105)
Issue of shares pursuant to dividend reinvestment plan	4,021	-	-	-	-	4,021
Issue of shares pursuant to business acquisition earn-out arrangement	7,957	-	-	-	-	7,957
Issue of shares pursuant to Executive Long Term Incentive Plan	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	422	-	422
Balance as at 31 December 2018	**283,060**	**12,700**	**(116)**	**2,105**	**319,394**	**617,143**

Notes to the condensed financial statements are included on pages 20 to 30.

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2018

	Note	Half-Year Ended 31 Dec 2018	Half-Year Ended 31 Dec 2017
			$'000
Cashflows from Operating Activities			
Receipts from customers		339,938	285,154
Payments to suppliers and employees		(257,239)	(230,239)
Interest received		335	56
Interest and other costs of finance paid		(4,686)	(3,398)
Income taxes (paid)/refunded		1,305	(11,001)
Net cash (used in) / provided by operating activities		**79,653**	**40,572**
Cashflows from Investing Activities			
Payment for property, plant and equipment		(48,800)	(39,479)
Payment for business	**4**	(33,670)	-
Net cash (used in) investing activities		**(82,470)**	**(39,479)**
Cashflows from Financing Activities			
Proceeds from borrowings		37,843	18,977
Repayment of borrowings		(7,132)	(8,902)
Dividends paid to members of the parent entity		(10,084)	(7,918)
Net cash (used in) / provided by financing activities		**20,627**	**2,157**
Net increase / (decrease) in cash and cash equivalents		**17,810**	**3,250**
Cash and cash equivalents at the beginning of the Half-Year		23,821	30,561
Cash and cash equivalents at the end of the Half-Year		**41,631**	**33,811**

Notes to the condensed financial statements are included on pages 20 to 30.

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 2018, together with any public announcements made by Tassal Group Limited and its controlled entities during the half-year ended 31 December 2018, 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 14 February 2019.

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 2018, 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 2018. 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 the new interpretations that are mandatorily 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 15 'Revenue from Contracts with Customers'
The Group has adopted AASB 15 Revenue from Customers using the full retrospective approach and has restated comparative information as set out below.

The adoption of AASB 15 has not impacted the timing of revenue recognition on the sale of goods but has resulted in the presentation of certain payments to customers (relating to promotional expenditure) being offset against revenue. The effect of the change was to reduce revenue from sale of goods and raw materials and consumables used by $10.145m in respect of the half-year ended 31 December 2017 as presented in the prior half-year financial statements. The change has not impacted profit before tax.

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

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

AASB 9 'Financial Instruments'
The Group has adopted AASB 9 'Financial Instruments' from 1 July 2018 which replaced AASB 139 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new requirements for classification and measurement of financial assets and financial liabilities, a new model for calculating the provision for doubtful debts (now termed the credit loss allowance), and new hedge accounting requirements.

The impact on the Group from the adoption of AASB 9 is set out below:

Classification of financial instruments

Trade receivables that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost. This basis of classification is consistent with that under AASB 139.

As disclosed in the prior year financial report, the group is party to an arrangement whereby certain eligible trade receivables are funded through equitable assignment to a third party bank. Trade receivables that are held within a business model whose objective is both to collect contractual cash flows and to sell trade receivables, and that have contractual cash flows that are solely for payments of principal and interest on the principal outstanding, are subsequently measured at fair value through other comprehensive income (FVTOCI). These were previously recognised at amortised cost.

Credit losses on trade receivables

The Group has elected to apply the simplified approach to measuring expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group.

The difference between the credit loss allowances calculated under AASB 9 compared to the incurred loss calculated under AASB 139 is not material to the group.

Hedge accounting

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

(ii) Standards and Interpretations in issue not yet adopted

New and revised Standards and amendments thereof and Interpretations that are not yet effective for the current half-year that are relevant to the group include:

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 areas for finalising the estimate of the financial impact on the Group's financial results include, the use of practical expedients on transition, finalising the approach taken with respect to discount rates and estimates of lease term for leases with options.

At 30 June 2018 the group had non-cancellable undiscounted operating lease commitments of $127.6 million. These commitments will require recognition of ROU assets and associated lease liabilities. Based on the assessment to date, 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 14 February 2019 the Directors declared an interim dividend of $15.954 million (9.00 cents per ordinary share) in respect of the half-year ended 31 December 2018. The interim dividend will be 25% franked. The interim dividend has not been recognised in this half-year report because the interim dividend was declared subsequent to 31 December 2018. The record date for determining entitlements to this interim dividend is 15 March 2019. The interim dividend will be paid on 29 March 2019. The Company's Dividend Reinvestment Plan will apply to the interim dividend and a discount rate of 2% has been determined by the Directors.

	Note	Half-Year Ended 31 Dec 2018	Half-Year Ended 31 Dec 2017
			$'000

3. Profit from operations

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		102,479	94,378
- Domestic retail market		138,829	106,727
- Export market		81,583	56,331
Interest revenue		335	56
Total revenue		**323,226**	**257,492**
(b) Other Income			
Gain/(loss) on disposal of property,			
plant and equipment		15	3
Government grants received		2,017	1,922
Other		713	1,807
Total other income		**2,745**	**3,732**
(c) Expenses			
Depreciation of non-current assets		14,426	12,549
Amortisation of non-current assets		15	15
Total depreciation and amortisation		**14,441**	**12,564**
Interest – other entities		3,580	2,681
Finance lease charges		935	1,070
Total finance costs		**4,515**	**3,751**

4. Acquisition of business

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

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

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

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

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

(b) Net cash outflow on acquisition	**Half-Year Ended 31 December 2018**
	$'000
Cash applied from proceeds of borrowings	**31,951**
Add: costs incidental to the acquisition	**1,719**
Net cash outflow on acquisition	**33,670**

Acquisition related costs amounting to $1,719,225 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year.

4. Acquisition of business (cont)

(c) Fair value of assets acquired	Fortune Group $'000
Current assets:	
Inventories	3,658
Non-current assets:	
Land	17,487
Buildings	2,883
Property plant and equipment	336
Total assets acquired	**24,364**

(d) Goodwill arising on acquisition	Fortune Group $'000
Consideration transferred	31,951
Less: fair value of total assets acquired	24,364
Goodwill arising on acquisition	**7,587**

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

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

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

	As at 31 December 2018 $'000	As at 30 June 2018 $'000

5. Contingent consideration

Current	-	7,862
Non-current	-	-
	-	**7,862**

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

Under the contingent consideration arrangement, the Group was 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 3 of the earn-out period resulted in the issue of 1.85 million shares in Tassal Group Ltd to the vendors with a fair value of $7.96 million, fully utilising the remaining contingent consideration liability.

	Half-Year Ended 31 December 2018		Financial Year Ended 30 June 2018		Half-Year Ended 31 December 2017	
	Cents per share	**Total $'000**	**Cents per share**	**Total $'000**	**Cents per share**	**Total $'000**
6. Dividends						
(a) Recognised amounts						
Fully paid ordinary shares:						
Interim dividend paid in respect of current financial year	-	-	8.00	13,862	-	-
Final dividend paid in respect of prior financial year	8.00	14,105	7.50	12,896	7.50	12,896
	8.00	**14,105**	**15.50**	**26,758**	**7.50**	**12,896**

On 24 August 2018, the Directors declared a final dividend of $14.105 million (8.00 cents per ordinary share) in respect of the financial year ended 30 June 2018. The dividend was 100% franked and paid on 28 September 2018.

(b) Unrecognised amounts						
Fully paid ordinary shares:						
Interim dividend in respect of current financial year	9.00	15,954	-	-	8.00	13,862
Final dividend in respect of current financial year	-	-	8.00	14,105	-	-
	9.00	**15,954**	**8.00**	**14,105**	**8.00**	**13,862**

On 14 February 2019, the Directors declared an interim dividend of $15.954 million (9.00 cents per ordinary share) in respect of the half-year ended 31 December 2018. The interim dividend will be 25% franked. The record date for determining entitlements to this dividend is 15 March 2019. The interim dividend will be paid on 29 March 2019.

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 2018 has not been recognised in this Half-Year report because the interim dividend was declared subsequent to 31 December 2018.

No portion of the interim dividend declared for the half-year ended 31 December 2018 constitutes Conduit Foreign Income.

7. Issued capital

	Note	As at 31 December 2018 Number	As at 31 December 2018 $'000	As at 31 December 2017 Number	As at 31 December 2017 $'000
(a) Ordinary share capital (fully paid)					
Ordinary shares		**177,263,858**	**283,060**	**173,275,247**	**266,775**
(b) Movements in ordinary share capital					
Balance as at the beginning of the half-year		174,458,730	271,082	169,889,399	253,905
Issue of shares pursuant to executive long term incentive plan	(i)	-	-	58,395	203
Issue of shares pursuant to business acquisition earn-out arrangement	(ii)	1,850,000	7,957	2,000,000	7,689
Issue of shares pursuant to dividend reinvestment plan	(iii)	955,128	4,021	1,327,453	4,978
Balance as at the end of the half-year		**177,263,858**	**283,060**	**173,275,247**	**266,775**

Current Financial Year

(ii) On 28 August 2018, 1,850,000 ordinary shares were issued to Rasin Holdings pursuant to the De Costi Seafoods business acquisition earn-out arrangement at an issue price of $4.3013 per share.

(iii) On 28 September 2018, 955,128 ordinary shares were issued pursuant to the Company's dividend reinvestment plan at an issue price of $4.2100 per share. A discount of 2% was applicable.

Previous 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.

8. Contingent liabilities and contingent assets

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

9. Seasonality

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

10. 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 farm, 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.

31 December 2018	Domestic Segment $'000	Export Segment $'000	Consolidated $'000
Sales (1)	241,308	81,583	322,891
Segment operational EBITDA	52,092	12,183	64,275
Prawn Farm acquistion costs			(1,719)
Fair value adjustment of biological assets	-	-	3,315
Statutory EBITDA	-	-	65,871
Depreciation expense	-	-	(14,441)
Finance costs	-	-	(4,515)
Profit before income tax expense	-	-	46,915
Income tax expense	-	-	(14,076)
Profit for the period	-	-	32,839
(1) Sales Information	**Salmon $'000**	**Seafood $'000**	**Total $'000**
Domestic wholesale	87,267	15,212	102,479
Domestic retail	117,994	20,835	138,829
Export	80,186	1,397	81,583
Total sales	**285,447**	**37,444**	**322,891**

31 December 2017	Domestic Segment $'000	Export Segment $'000	Consolidated $'000
Sales (1)	201,105	56,331	257,436
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
(1) Sales Information	**Salmon $'000**	**Seafood $'000**	**Total $'000**
Domestic wholesale	80,041	14,337	94,378
Domestic retail	79,635	27,092	106,727
Export	55,306	1,025	56,331
Total sales	**214,982**	**42,454**	**257,436**

DIRECTORS’ DECLARATION

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2018

The Directors declare on 14 February 2019 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. McCallum
Chairman
Hobart, 14 February 2019

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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 2018, 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 2018 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.

INDEPENDENT REVIEW REPORT

Tassal Group Limited its and Controlled Entities Financial Report for the Half-Year Ended 31 December 2018

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 2018 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

Clive Mottershead
Partner
Chartered Accountants
Hobart, 14 February 2019